Second Edition

KEY PERFORMANCE INDICATORS



Developing, Implementing, and Using Winning KPIs

DAVID PARMENTER

Key Performance Indicators

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Preface

Performance measurement is failing organizations all around the world, whether they are multinationals, government departments, or small local charities. The measures that have been adopted were dreamed up one day without any linkage to the critical success factors of the organizations. These measures are frequently monthly or quarterly. Management reviews them and says, "That was a good quarter" or "That was a bad month."

Performance measures should help your organization align daily activities to strategic objectives. This book has been written to assist you in developing, implementing, and using winning KPIs—those performance measures that will make a profound difference. This book is also aimed at providing the missing link between the balanced scorecard work of Robert Kaplan and David Norton and the reality of implementing performance measurement in an organization. The implementation difficulties were first grasped by a key performance indicator (KPI) manual developed by Australian Government Department "AusIndustries" as part of a portfolio of resources for organizations pursuing international best practices. This book has adopted many of the approaches of the KPI manual, which was first published in 1996, and has incorporated more implementation tools, the balanced scorecard philosophy, the author's work on winning KPIs, and many checklists to assist with implementation.

Embarking on a KPI/Balanced Scorecard Project

The goal of this book is to help minimize the risks that working on a KPI/balanced scorecard project encompasses. It is designed for the project team, senior management, external project facilitators, and team coordinators whose role it is to steer such a project to success. The roles they play could leave a great legacy in the organization for years to come or could amount to nothing by joining the many performance measurement initiatives that have failed. It is my wish that the material in this book, along with the workshops I deliver around the world, will increase the likelihood of success.

In order for both you and your project to succeed, I suggest that you:

- Read Chapters 1 and 2 carefully, a couple of times.
- Visit my Web site, www.davidparmenter.com, for other useful information.
- Scan the material in subsequent chapters so you know what is there.
- Begin Step 1 in Chapter 3 by setting up the focus group one-day workshop.
- Listen to my webcasts on www.bettermanagement.com; webcast support is available for most chapters of this book.
- Seek an outside facilitator who will help guide/mentor you in the early weeks of the project.
- Begin the KPI project team-building exercises, and undertake any training to plug those identified skill gaps in the KPI project team.

Letter to the Chief Executive Officer

Due to the workload of chief executive officers (CEOs), few will have the time to read much of this book. I have thus written a

letter to the CEO of your organization to help explain his or her involvement. It is important that the CEO knows:

- The content of Chapters 1 and 2
- The seven characteristics of KPIs
- The difference between success factors and critical success factors
- The extent of his or her involvement, and the risks the project faces if the CEO does not actively support the KPI team
- The content of my "Introduction to Winning KPIs" and "Implementing Critical Success Factors" webcasts on www.bettermanagement.com

Using Chapter 1: Introduction

For years, organizations that have had what they thought were KPIs have not had the focus, adaptability, innovation, and profitability that they were seeking. KPIs themselves were mislabeled and misused. Examine a company with over 20 KPIs and you will find a lack of focus, lack of alignment, and underachievement. Some organizations try to manage with over 40 KPIs, many of which are not actually KPIs. This chapter explains a new way of breaking performance measures into key result indicators (KRIs), result indicators (RIs), performance indicators (PIs), and key performance indicators (KPIs). It also explains a significant shift in the way KPIs are used to ensure they do not create dysfunctional behavior.

Using Chapter 2: Foundation Stones for Implementing Key Performance Indicators

Effective organizational change relies heavily on creating appropriate people practices as the centerpiece of a new

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January 31, 2010

Dear CEO,

Invitation to put winning KPIs in your organization

I would like to introduce you to a process that will have a profound impact on your organization. It will link you to the key activities in the organization that have the most impact on the bottom line. If implemented successfully, it will have a profound impact, enabling you to leave a major legacy.

I would like to wager that you have not carried out an exercise to distinguish those critical success factors (CSFs) from the many success factors you and your senior management team talk about on a regular basis. I would also point out that much of the reporting you receive, whether it is financial or on performance measures, does not aid your daily decision-making process. I know this because much of the information you receive is monthly data received well after the horse has bolted.

Whereas this book is principally an implementation guide and thus is suitable for advisors, facilitators, and implementation staff, I recommend that you read these sections:

- Chapter 1, which explains the background to this breakthrough
- Chapter 2, which emphasizes the four foundation stones you need to put in place and ensure they are not compromised at any time
- Chapter 7, on finding your critical success factors

Armed with this information, I trust that you will support the winning KPI project with commitment and enthusiasm.

By the time you read it, this work will have received international acceptance. The first edition of this book is a best seller in performance measurement.

I ask that you spare 45 minutes of your time and listen to my webcast "An Introduction to Winning KPIs" on www.bettermanagement.com.

I am hopeful that this book, with the support material available on my Web site, www.davidparmenter.com, will help you and your organization achieve a significant performance improvement. I look forward to hearing about your progress.

Kind regards,
David Parmenter
parmenter@waymark.co.nz

workplace culture. In this context, the introduction of KPIs must be achieved in a way that supports and extends the idea of a co-operative partnership in the workplace—a partnership among employees, management, suppliers, customers, and the communities in which the organization operates. This chapter advances four general principles, called the four foundation stones:

1. Partnership with the staff, unions, key suppliers, and key customers
2. Transfer of power to the front line
3. Measuring and Reporting only what happens
4. Linkage of performance measures to strategy through the CSFs

Using Chapter 3: Developing and Using KPIs: A 12-Step Model

When you are ready to introduce performance measures (including result indicators, performance indicators, and KPIs) into your organization, we anticipate that you will want to broadly follow the 12-step approach outlined in this chapter. This chapter analyzes each step in detail, its purpose, the key tasks to be carried out, implementation guidelines, and a checklist to ensure that you undertake the key steps.

Using Chapter 4: KPI Team Resource Kit

This chapter provides the KPI team with useful tools for gathering information. For many of the steps, a questionnaire has been included and, in some cases, a worksheet that needs to be completed by the project team or by the teams developing their performance measures. For all key workshop sessions, a program has been developed based on successful ones run by the author. Electronic templates of all checklists can be acquired from www.davidparmenter.com (for a small fee).

Using Chapter 5: Templates for Reporting Performance Measures

This chapter illustrates how to present KRIs, RIs, PIs, and KPIs.

Using Chapter 6: Facilitator's Resource Kit

The involvement of a skilled KPI facilitator sourced from outside the company assists the process of developing and using performance measures (including KRIs, RIs, PIs, and KPIs). The facilitator's key roles are to help educate the senior management team and then set up and mentor the project team. Chapter 3 suggests that certain key activities within the 12 steps should be performed by this external facilitator.

Using Chapter 7: Critical Success Factors Kit

It is the critical success factors (CSFs), and the performance measures within them, that link daily activities to the organization's strategies. This, I believe, is the El Dorado of management.

In these trying times, knowing your CSFs maybe the deciding factor in survival. If your organization has not completed a thorough exercise to know its CSFs, performance management cannot possibly function. Performance measurement, monitoring, and reporting will be a random process creating an army of measurers producing numerous numbing reports, full of measures that monitor progress in a direction very remote from the organization's strategy.

Although most organizations know their success factors, few organizations have:

- Worded their success factors appropriately
- Segregated out success factors from their strategic objectives

- Sifted through the success factors to find their critical ones—their critical success factors
- Communicated the critical success factors to staff

The process outlined in this chapter will crystallize and communicate the organization's CSFs. The beauty of the method is that it is a simple methodical process that can be run by in-house staff.

CSF selection is a very subjective exercise. The effectiveness and usefulness of the CSFs chosen is highly dependent on the analytical skill of those involved. Active leadership by senior management in this process is thus mandatory.

Using Chapter 8: Brainstorming Performance Measures

Once the CSFs have been established, it is important to find the performance measures. This exercise is best done as part of a brainstorming exercise. Please listen to "Sorting the Wheat from the Chaff" webcast on www.bettermanagement.com when reading this chapter.

Using Chapter 9: Implementation Variations for Small-to-Medium Enterprises and Not-for-Profit Organizations

When I first wrote about the 12-step process, I set out an implementation Gantt chart showing 12 steps. Attendees from small-to-medium enterprises often request advice on a simpler process. This chapter presents my new thinking, which I use when I help smaller organizations.

I also point out useful tips for not-for-profit organizations, who may believe that performance measurement has to be different.

Using Chapter 10: Implementation Lessons

Kaplan and Norton, in their groundbreaking book, *The Balanced Scorecard—Translating Strategy into Action,* indicated that 16 weeks is enough time to establish a working balanced scorecard with KPIs. However, organizations of all sizes and complexity stumble with this process, and 16 weeks easily turns into 16 months. The key to success is to learn the key implementation lessons covered in this chapter.

Using the Epilogue: Electronic Media Available to You

This epilogue presents the electronic media available, some for free and some with a fee.

Using the Appendix: Performance Measures Database

The appendix provides a list of performance measures (including KRIs, RIs, PIs, and KPIs), some of which will be relevant for your organization. These are organized according to balanced scorecard perspectives and are updated constantly. An electronic version of the updated database can be acquired from www.davidparmenter.com (for a fee).

Who Should Read What

This book is a resource for anyone in the organization involved with the development and use of KPIs. It is desirable that all KPI project team members, the external project facilitator, team coordinators, and local facilitators (if required) have their own manual to ensure all follow the same plan. Team members are expected to take the manual with them when meeting staff and management, as they will be able to clarify issues by using examples from the manual. (Please note that this book is copyrighted, so it is a breach of the copyright to photocopy sections for distribution.)

	Overview	Board	CEO & SMT	KPI Project Team, External Facilitator	Team Co-ordinators
Chapter 1	Introduction.	✓	✓	✓	✓
Chapter 2	The foundation stones for implementing KPIs.		✓	✓	✓
Chapter 3	Developing and using KPIs: A 12-step model.			✓	✓
Chapter 4	KPI team resource kit.			✓	
Chapter 5	Templates for reporting performance measures.			✓	✓
Chapter 6	Facilitator's resource kit.			✓	
Chapter 7	Critical Success Factors Kit.		✓	✓	
Chapter 8	Brainstorming Performance Measures.			✓	
Chapter 9	Implementation Variations for Small-to-Medium Enterprises and Not-for-Profit Organizations.		✓	✓	
Chapter 10	Implementation Lessons.		✓	✓	
Appendix	List of performance measures (including KRIs, RIs, PIs, and KPIs) to assist with the short-listing of likely performance measures.			✓	✓

Acknowledgments

I would like to acknowledge the commitment and dedication of Waymark Solutions staff members over the years this project has taken (Sean, Dean, Jacqueline, Roydon, and Matt); my partner, Jennifer Gilchrist, who read through the drafts; and my children, Alexandra and Claudine, who, like Jennifer, were so patient during many late nights in the office. I am also grateful for all those who have attended my KPI workshops and shared their ideas on winning KPIs.

I am grateful to Harry Mills, Matt Clayton, and Jeremy Hope for their sage advice over the years and to Sheck Cho for getting this book published in the first place.

A special thanks goes to my parents, who through their unique style of parenting and continuous support have given me the confidence and the platform to undertake the mission I am now on.

CHAPTER 1

Introduction

Many companies are working with the wrong measures, many of which are incorrectly termed key performance indicators (KPIs). Very few organizations really monitor their true KPIs. The reason is that very few organizations, business leaders, writers, accountants, and consultants have explored what a KPI actually is. There are four types of performance measures (see Exhibit 1.1):

1. Key result indicators (KRIs) tell you how you have done in a perspective or critical success factor.
2. Result indicators (RIs) tell you what you have done.
3. Performance indicators (PIs) tell you what to do.
4. KPIs tell you what to do to increase performance dramatically.

Many performance measures used by organizations are thus an inappropriate mix of these four types.

An onion analogy can be used to describe the relationship of these four measures. The outside skin describes the overall condition of the onion, the amount of sun, water, and nutrients it has received; and how it has been handled from harvest to the supermarket shelf. The outside skin is a key result indicator. However, as we peel the layers off the onion, we find more information. The layers represent the various performance and

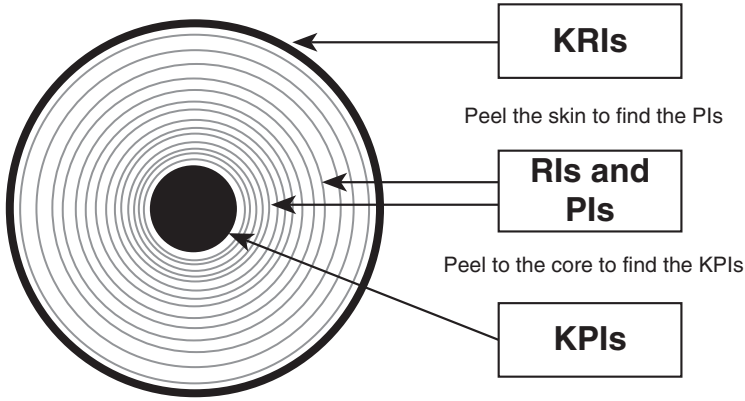


EXHIBIT 1.1 Four Types of Performance Measures

result indicators, and the core represents the key performance indicator.

Key Result Indicators

What are *KRIs*? KRIs are measures that often have been mistaken for KPIs. They include:

- Customer satisfaction
- Net profit before tax
- Profitability of customers
- Employee satisfaction
- Return on capital employed

The common characteristic of these measures is that they are the result of many actions. They give a clear picture of whether you are traveling in the right direction. They do not, however, tell you what you need to do to improve these results. Thus, KRIs provide information that is ideal for the board (i.e., those people who are not involved in day-to-day management).

KRIs typically cover a longer period of time than KPIs; they are reviewed on monthly/quarterly cycles, not on a daily/

weekly basis as KPIs are. Separating KRIs from other measures has a profound impact on reporting, resulting in a separation of performance measures into those impacting governance and those impacting management. That is, an organization should have a governance report (ideally in a dashboard format), consisting of up to 10 measures providing high-level KRIs for the board, and a balanced scorecard (BSC) comprising up to 20 measures (a mix of KPIs, RIs, and PIs) for management.

In between KRIs and the true KPIs are numerous performance and result indicators. These complement the KPIs and are shown with them on the scorecard for the organization and the scorecard for each division, department, and team.

Performance and Result Indicators

The 80 or so performance measures that lie between the KRIs and the KPIs are the performance and result indicators (PIs and RIs). The performance indicators, while important, are not key to the business. The PIs help teams to align themselves with their organization's strategy. PIs are nonfinancial and complement the KPIs; they are shown with KPIs on the scorecard for each organization, division, department, and team.

Performance indicators that lie beneath KRIs could include:

- Percentage increase in sales with top 10% of customers
- Number of employees' suggestions implemented in last 30 days
- Customer complaints from key customers
- Sales calls organized for the next week, two weeks
- Late deliveries to key customers

The RIs summarize activity, and all financial performance measures are RIs (e.g., daily or weekly sales analysis is a very useful summary, but it is a result of the efforts of many teams).

To fully understand what to increase or decrease, we need to look at the activities that created the sales (the result).

Result indicators that lie beneath KRIs could include:

- Net profit on key product lines
- Sales made yesterday
- Customer complaints from key customers
- Hospital bed utilization in week

Key Performance Indicators

What are *KPIs*? KPIs represent a set of measures focusing on those aspects of organizational performance that are the most critical for the current and future success of the organization.

KPIs are rarely new to the organization. Either they have not been recognized or they were gathering dust somewhere unknown to the current management team. KPIs can be illustrated by two examples.

Example: An Airline KPI

This example concerns a senior British BA official, who set about turning British Airways (BA) around in the 1980s by reportedly concentrating on one KPI. He was notified, wherever he was in the world, if a BA plane was delayed. The BA manager at the relevant airport knew that if a plane was delayed beyond a certain threshold, they would receive a personal call from the BA official. It was not long before BA planes had a reputation for leaving on time. This KPI affected all six of the BSC perspectives. Late planes:

- Increased cost in many ways, including additional airport surcharges and the cost of accommodating

passengers overnight as a result of planes being curfewed due to noise restrictions late at night.
- Increased customer dissatisfaction and alienation of people meeting passengers at their destination (possible future customers).
- Contributed more to ozone depletion (environmental impact) as additional fuel was used in order to make up time during the flight.
- Had a negative impact on staff development as they learned to replicate the bad habits that created late planes.
- Adversely affected supplier relationships and servicing schedules, resulting in poor service quality.
- Increased employee dissatisfaction, as they were constantly firefighting and dealing with frustrated customers.

Example: A Distribution Company

A chief executive officer (CEO) of a distribution company realized that a critical success factor for the business was trucks leaving as close to capacity as possible. A large train truck capable of carrying more than 40 tons was being sent out with small loads as dispatch managers were focusing on delivering in full on time to customers.

Each day by 9 A.M., the CEO received a report of those trailers that had been sent out underweight the previous day. The CEO called the dispatch manager and asked whether any action had taken place to see if the customer could have accepted the delivery on a different date that would have enabled better utilization of the trucks. In most cases the customer could have received it earlier or later, fitting

(*Continued*)

in with a past or future truck going in that direction. The impact on profitability was significant.

Just as with the airline example, staff members did their utmost to avoid a career-limiting phone call from the CEO. Both these stories are told in greater detail in my webcast, "Introduction to Winning KPIs," which is free to access on www.bettermanagement.com

Seven Characteristics of KPIs

From extensive analysis and from discussions with over 3,000 participants in my KPI workshops, covering most organization types in the public and private sectors, I have been able to define the seven characteristics of KPIs. KPIs:

1. Are nonfinancial measures (e.g., not expressed in dollars, yen, pounds, euros, etc.)
2. Are measured frequently (e.g., 24/7, daily, or weekly)
3. Are acted on by the CEO and senior management team (e.g., CEO calls relevant staff to enquire what is going on)
4. Clearly indicate what action is required by staff (e.g., staff can understand the measures and know what to fix)
5. Are measures that tie responsibility down to a team (e.g., CEO can call a team leader who can take the necessary action)
6. Have a significant impact (e.g., affect one or more of the critical success factors [CSFs] and more than one BSC perspective)
7. They encourage appropriate action (e.g., have been tested to ensure they have a positive impact on performance, whereas poorly thought-through measures can lead to dysfunctional behavior)

When you put a dollar sign on a measure, you have already converted it into a result indicator (e.g., daily sales are a result of activities that have taken place to create the sales). The KPI lies deeper down. It may be the number of visits to contacts with the key customers who make up most of the profitable business.

KPIs should be monitored 24/7, daily, or perhaps weekly for some. A monthly, quarterly, or annual measure cannot be a KPI, as it cannot be *key* to your business if you are monitoring it well after the horse has bolted. KPIs are current- or future-oriented measures as opposed to past measures (e.g., number of key customer visits planned in the next month or a list by key customer of the dates of the next planned visits). Most organizational measures are very much past indicators measuring events of the last month or quarter. These indicators cannot be and never were KPIs.

All KPIs make a difference; they have the CEO's constant attention, with daily calls to the relevant staff. Having a career-limiting discussion with the CEO is not something staff members want to repeat, and in the airline case, innovative and productive processes were put in place to prevent a recurrence.

A KPI should tell you what action needs to take place. The British Airways late-plane KPI communicated immediately to everyone that there needed to be a focus on recovering the lost time. Cleaners, caterers, ground crew, flight attendants, and liaison officers with traffic controllers would all work some magic to save a minute here and a minute there while maintaining or improving service standards.

A KPI is deep enough in the organization that it can be tied to a team. In other words, the CEO can call someone and ask "why." Return on capital employed has never been a KPI, as it cannot be tied to a manager—it is a result of many activities under different managers.

A KPI will affect one or more of the CSFs and more than one BSC perspective. In other words, when the CEO, management,

and staff focus on the KPI, the organization scores goals in all directions. In the airline example, the late-plane KPI affected all six BSC perspectives.

Before becoming a KPI, a performance measure needs to be tested to ensure it creates the desired behavioral outcome (e.g., helping teams to align their behavior in a coherent way to the benefit of the organization). There are many examples where performance measures have led to dysfunctional behavior. There are two examples discussed later in this chapter.

Difference between KRIs and KPIs

Often in workshops one question emerges time and time again: "What is the difference between KRIs and KPIs, and RIs and PIs?" Exhibits 1.2 and 1.3 clarify the differences.

A car's speedometer provides a useful analogy to show the difference between a result indicator and a performance indicator. The speed the car is traveling is a result indicator, since the car's speed is a combination of what gear the car is in and how many revolutions per minute the engine is doing. Performance indicators might be how economically the car is being driven (e.g., a gauge showing how many miles per gallon), or how hot the engine is running (e.g., a temperature gauge).

Lead and Lag Confusion

Many management books that cover KPIs talk about lead and lag indicators; this merely clouds the KPI debate. Using the new way of looking at *performance* measures, we dispense with the terms *lag* (outcome) and *lead* (performance driver) indicators. At my seminars, when the audience is asked "Is the late-planes-in-the-air KPI, a lead indicator, or a lag indicator?," the vote count is always evenly split. The late plane in the sky is certainly both a lead and lag indicator. It talks about the past and it is

EXHIBIT 1.2 Difference between KRIs and KPIs

KRIs	KPIs
Can be financial and nonfinancial (e.g., Return on capital employed, and customer satisfaction percentage)	Nonfinancial measures (not expressed in dollars, yen, pounds, euros, etc.)
Measures mainly monthly and sometimes quarterly	Measured frequently (e.g., 24/7, daily or weekly)
As a summary of progress in an organization's critical success factor, it is ideal for reporting progress to a board	Acted on by the CEO and senior management team
It does not help staff or management because nowhere does it tell what you need to fix	All staff understand the measure and what corrective action is required
Commonly, the only person responsible for a KRI is the CEO	Responsibility can be tied down to the individual or team
A KRI is designed to summarize activity within one CSF	Significant impact (e.g., it impacts on more than one of top CSFs and more than one balanced scorecard perspective)
A KRI is a result of many activities managed through a variety of performance measures	Has a positive impact (e.g., affects all other performance measures in a positive way)
Normally reported by way of a trend graph covering at least the last 15 months of activity	Normally reported by way of an intranet screen indicating activity, person responsible, past history, so a meaningful phone call can be made

EXHIBIT 1.3 Difference between RIs and PIs

RIs	PIs
Can be financial and nonfinancial	Nonfinancial measures (not expressed in dollars, yen, pounds, euros, etc.)
Measured daily, weekly, fortnightly, monthly, or sometimes quarterly	Same
Cannot be tied to a discrete activity	Tied to a discrete activity and thus to a team
Does not tell you what you need to do more or less of	All staff understand what action is required to improve PI
Designed to summarize *some activity* within a CSF/SF	Specific activity impacts on one of the CSFs/SFs
Result of more than one activity	Focuses on a specific activity
Normally reported in a team scorecard	Same

about to create a future problem when it lands. Surely this is enough proof that *lead* and *lag* labels are not a useful way of defining KPIs.

KRIs and RIs replace outcome measures. KRIs typically look at activity over months or quarters, whereas RIs can have a shorter timeframe (e.g., sales made yesterday). PIs and KPIs are now characterized as past-, current-, or future-focused measures. *Current measures* refers to those monitored 24/7 or daily (e.g., late/incomplete deliveries to key customers made yesterday). *Future measures* are the record of a future commitment when an action is to take place (e.g., date of next meeting with key customer, date of next product launch, date of next social interaction with key customers). In your organization, you will find that your KPIs are either current- or future-oriented measures.

EXHIBIT 1.4 Past/Current/Future Performance Measures Analysis Worksheet

Past Measures (last week/2 weeks/ month/quarter)	Current Measures (real-time/ today/yesterday)	Future Measures (next/week/ month/quarter)
E.g., number of late planes last week/ last month	E.g., planes over 2 hours late (updated continuously)	E.g., number of initiatives to be commenced in the next month/ 2 months to target areas that are causing late planes

In workshops, I ask participants to write a couple of their major measures in the worksheet shown in Exhibit 1.4 and then restate the measure in the other tenses. Take time out now and restate three measures (see Exhibit 1.4).

The lead/lag division did not focus adequately enough on current or future-oriented measures. Most organizations that want to create alignment and change behavior need to be monitoring what corrective action is to take place in the future. Examples of future measures include:

- To be an innovative organization, we need to measure the number of initiatives that are about to come online in the next week, fortnight, and month.
- To increase sales, we need to know the number of sales meetings that have already been organized/scheduled with our key customers in the next week, fortnight, and month.
- To maintain a close relationship with our key customers, a list should be prepared with the next agreed social interaction (e.g., date agreed to attend a sports event, a meal, the opera, etc.).

- To maintain the profile of our CEO, we need to monitor the public relation events that have been organized in the next 1–3, 4–6, 7–9 months.
- To maintain staff recognition, the CEO needs to monitor the formal recognitions planned next week/next fortnight by the CEO and SMT.

All these future measures would be reported in a weekly update given to the CEO. Although CEOs may let a couple of weeks pass with gaps appearing on these updates, they soon start asking questions. Management would take action, prior to the next meeting, to start filling in the gaps to ensure they avoided further uncomfortable questioning.

10/80/10 Rule

Kaplan and Norton[1] recommend no more than 20 KPIs. Hope and Fraser[2] suggest fewer than 10 KPIs. The 10/80/10 rule is a good guide. That is, there are about 10 KRIs, up to 80 RIs and PIs, and 10 KPIs in an organization (see Exhibit 1.5). Very seldom are more measures needed, and in many cases even fewer measures are necessary.

For many organizations, 80 RIs and PIs will at first appear totally inadequate. Yet on investigation, you will find that

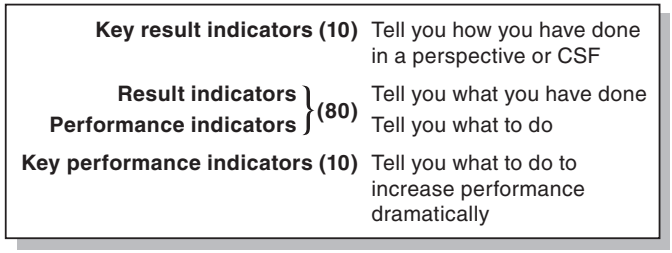


EXHIBIT 1.5 10/80/10 Rule

separate teams are actually working with variations of the same indicator, so it is better to standardize them (e.g., a "number of training days in the past month" performance measure should be consistently applied with the same definition graph).

Many KPI project teams will also, at first, feel that having only 10 KPIs is too restrictive and may wish to increase KPIs to 30. With careful analysis, that number will soon be reduced to the 10 suggested unless the organization is made up of many businesses from very different sectors; in that case, the 10/80/10 rule can apply to each diverse business, providing it is large enough to warrant its own KPI rollout.

Importance of Timely Measurement

Before proceeding further, we will look at the importance of measurement. The use of measurement varies widely across the world. In the United States, many businesses use the BSC to create behavioral alignment in a balanced way.

It is essential that measurement be timely. Today, a KPI provided to management that is more than a few days old is useless. KPIs are prepared in real time, with even weekly ones available by the next working day. The suggested reporting framework of performance indicators is set out in Exhibit 1.6.

Some of the KPIs will be updated daily or even 24/7 (as in the British Airways case), while the rest of the KPIs will be reported weekly. Performance measures that focus on

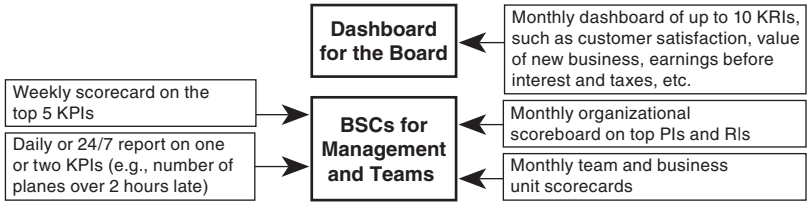


EXHIBIT 1.6 Suggested Reporting Framework

completion should be included. In organizations where finishing is a problem, a common weekly KPI is the reporting of projects and reports that are running late to the senior management team. Such reporting will revolutionize project and task completion in your organization.

The RIs and PIs will be reported in various timeframes from daily, weekly, and fortnightly to monthly. The KRIs, which are best used to report performance to the board, will thus be based around the timing of the board meeting.

Adverse Results from Performance Measures

Measurement initiatives are often cobbled together without the knowledge of the organization's critical success factors and without consultation with staff. The behavioral side is very important with any KPI. You have to ask staff if we measure what action will you take. In many cases, it will be necessary to pilot the performance measure. How performance measures can go wrong can be illustrated by two examples.

Example: City Train Service

A classic example is provided by a city train service that had an on-time measure with some draconian penalties targeted at the train drivers. The train drivers who were behind schedule learned simply to stop at the top end of each station, triggering the green light at the other end of the platform, and then to continue the journey without the delay of letting passengers on or off. After a few stations a driver was back on time, albeit the customers, both on the train and on the platform, were not so happy.

Management needed to realize that late trains are not caused by train drivers, just as late planes are not caused

by pilots. The only way these skilled people would cause a problem would be either arriving late for work or taking an extended lunch when they are meant to be on duty. Management should have been focusing on controllable events that led to late trains, such as the timeliness of investigating signal faults reported by drivers, preventative maintenance on critical equipment that is running behind schedule, etc.

Example: Accident and Emergency Department

Managers at a hospital in the United Kingdom were concerned about the time it was taking to treat patients in the accident and emergency department. They decided to measure the time from patient registration to being seen by a house doctor. Staff realized that they could not stop patients registering with minor sports injuries but they could delay the registration of patients in ambulances as they were receiving good care from the paramedics. The nursing staff thus began asking the paramedics to leave their patients in the ambulance until a house doctor was ready to see them, thus improving the "average time it took to treat patients." Each day there would be a parking lot full of ambulances and some circling the hospital. This created a major problem for the ambulance service, which was unable to deliver an efficient emergency service.

Management should have been focusing on the timeliness of critical patients and thus they only needed to measure the time from registration to consultation of these critical patients. Nurses would have thus treated patients in ambulances as a priority, the very thing they were doing before the measures came into being.

Such dysfunctional behavior suggests that a better-practice approach to performance measurement was not followed. There needs to be a new approach to measurement—one that is consultative, promotes partnership, and obtains behavioral alignment, empowering all the people who work in the organization.

Management Models that Have a Profound Impact on KPIs

Balanced Scorecard

The groundbreaking work of Kaplan and Norton[3] brought to management's attention the fact that performance needed to be measured in a more holistic way. Kaplan and Norton came up with four perspectives: Financial, Customer, Internal Process, and Learning and Growth. I recommend that these four perspectives be increased by the inclusion of two more perspectives (see Exhibit 1.7).

Employee Satisfaction is far too important to be relegated to a subsection within internal process. Informed directors know

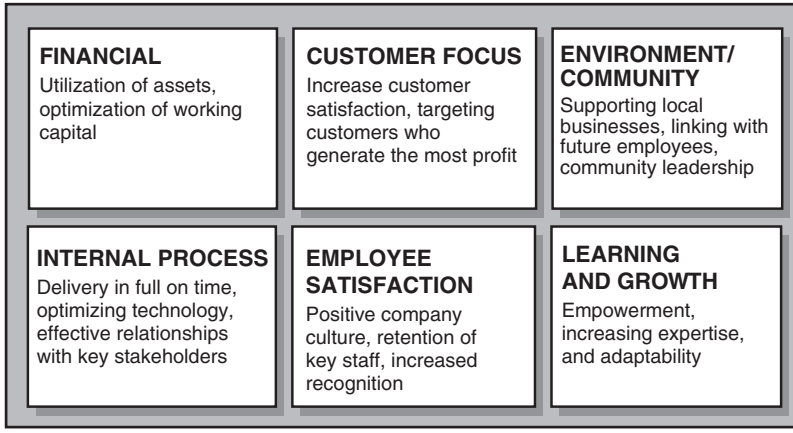


EXHIBIT 1.7 Six-Perspective Balanced Scorecard

that happy staff make happy customers who make happy shareholders. Measurement of employee satisfaction needs to be far more sophisticated than a customer satisfaction survey every blue moon. Having a separate perspective encourages management to measure staff satisfaction three to four times a year using small statistical samples. In addition, the measurement of staff recognitions will have a higher profile. These recognitions should be managed proactively on a weekly basis by the senior management team.

The Environment and Community perspective has been managed brilliantly by some leading CEOs. Measurement in this area looks at increasing public awareness about being an employee of first choice, staff learning new skills through doing voluntary work in the community, reducing costs through minimizing waste, creating positive press, and increasing higher staff morale by implementing green initiatives. Leading CEOs intuitively work in this area. They realize that the community is the source of your current and future employees and customers.

Kaplan and Norton's later work on strategic mapping[4] also alludes to the importance of employee satisfaction and the environment/community perspectives. This modification is important because it means the BSC now incorporates all triple-bottom-line issues.

Many balanced scorecards have failed to deliver. I believe the reason is due largely to the implementation rather than the flaws in the model. Although I believe the balanced scorecard is a management model that will be with us for generations, I see a number of weaknesses that need to be rectified, including:

- A lack of definition of what a KPI is and what it is not.
- The use of the terms *lead* and *lag indicators*.
- The suggestion that success factors neatly fit within a BSC perspective.

- The unnecessary complexity that has been introduced by many writers to justify the need for consultants (e.g., third-generation, fourth-generation BSCs)!
- BSC applications that have been designed, it would appear, by freshly minted MBAs, with an engineer's eye for detail, but who have never been in an operational management position. Surely this is the reason for the neat, matrix management models where everything neatly fits into a box and performance measures are cascaded down until an organization ends up measuring simply everything.

Example: Scoring Goals with the Community: Your Future Customers

I had the pleasure of sitting next to a person who once worked for Virgin Atlantic. She told me that whenever a new route was opened, Richard Branson would fly in, achieve a prominent photo in the local press, and hold a party. All staff members were told to bring their partner and their best friend.

Throughout the evening, Richard Branson would pose for photographs. Every person had a signed photo at the end of the evening. Where do you think these photos ended up? In a box under the bed? I do not think so. They were put in pride of place, center of mantelpiece, wedding photo moved to the right! Every time your friends looks at the photograph, what would they think? What a great night, and how much they value your friendship.

In a single evening, Richard Branson enhanced staff morale and satisfaction, created free press exposure, and linked the Virgin group to new customers. What airline would you fly if you had a photo of you meeting Richard Branson on your mantelpiece?

Hoshin Kanri Business Methodology

The balanced scorecard had its origins in *Hoshin Kanri*, so it is appropriate to examine this business methodology. As I understand it, translated, the term means a business methodology for *direction and alignment*.

This approach was developed in a complex Japanese multinational where it is necessary to achieve an organization-wide collaborative effort in key areas.

One tenet behind *Hoshin Kanri* is that all employees should incorporate into their daily routines a contribution to the key corporate objectives. In other words, staff members need to be made aware of the critical success factors and then prioritize their daily activities to maximize their positive contribution in these areas.

In the traditional form of *Hoshin Kanri*, there is a grouping of four perspectives. It is no surprise that the balanced scorecard perspectives are mirror images (see Exhibit 1.8). As with the balanced scorecard, *Hoshin Kanri* can be improved with the introduction of employee satisfaction and environment and community.

Employee satisfaction initiatives and measures would surely put a stop to the Japanese practice of subordinates staying at

EXHIBIT 1.8 Similarities between Hoshin Kanri and Balanced Scorecard Perspectives

Hoshin Kanri	**Balanced Scorecard**
Quality objectives and measures	Customer focus
Cost objectives and measures	Financial
Delivery objectives and measures	Internal process
Education objectives and measures	Learning and growth
Both of these approaches should be augmented by:	
Employee satisfaction	Employee satisfaction
Environment and community	Environment and community

work until their boss leaves, which leads to the ridiculous practice of managers coming back to the office after an evening meal with a client so the staff will go home.

An informative paper on the comparison between *Hoshin Kanri* and the balanced scorecard has been written by Witcher and Chau,[5] and it is well worth reading.

Beyond Budgeting Management Model

It is easy for the BSC, with its financial and nonfinancial measures, to develop into yet another fixed performance contract and eventually result in the same dysfunctional behavior that we see with the annual planning process.

The adoption of the beyond budgeting management model will enhance the power of the BSC. Companies worldwide are beginning to recognize that existing budget processes are not satisfactory. These methods have been used since the Romans planned and budgeted their invasion of northern Europe! The budget process is often seen as a hindrance to management rather than a help. An international survey of chief financial officers (CFOs) in 1998 by the U.S. consulting firm Hackett Benchmarking & Research found that almost 90% of CFOs were dissatisfied with their budget process and that the annual budget was not linked to organizational strategy. Performance measures are a key tool for organizations that have thrown out the annual planning process.

Example: Road Construction Company

A managing director of a large road contracting company told me the group has never had an annual planning process. He said if the group could predict when it was going to be sunny and when it was going to rain, annual planning would be useful.

The business encompasses concrete, transport (local and rural), fuel distribution, and roading. The group has around 1,000 staff and a constant profit growth, the envy of many larger organizations.

The company monitors key ratios and has different league tables depending on the size of operations so the group companies can compare performance with each other. The ratios they monitor include:

- Return per kilometer (km): revenue and cost per km
- Margin per liter
- Delivery cost per liter
- Concrete cost per cubic meter
- Cubic meter delivered by pay hour

Providing operations are working within set ranges, operational managers have a high degree of autonomy. If, for example, a unit hits a problem constructing a road, the head office would be informed immediately through the daily ratios and would investigate how the manager intended to get around the issue.

In a month of favorable weather, management would expect all companies to be performing well, the ratios in the zone and results tracking well against prior months' activity. Any exceptions would be spotted in the daily and weekly ratios and performance measures and investigated.

Establishment of a quarterly rolling planning regime, wherein management both sets out its revenue and expenditure requirements for the next 18 months and seeks approval for expenditure planned for the next 3 months, is a key requirement for beyond budgeting management.

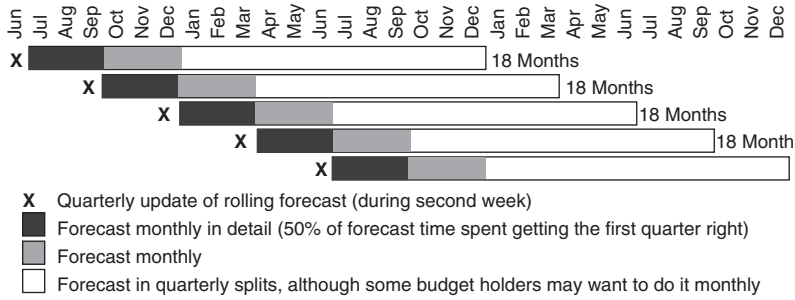


EXHIBIT 1.9 How Quarterly Rolling Planning Works for an Organization with a Year-End that Falls at the End of a Traditional Calendar Quarter

Each quarter, before approving these estimates, management sees the bigger picture six quarters out. While firming up the short-term numbers for the next three months, all subsequent forecasts also update the annual forecast. Budget holders are encouraged to spend half the time on getting the details of the next three months right, as these will become targets, on agreement, and the rest of the time on the next five quarters. Each quarter forecast is never a cold start as budget holders have reviewed the forthcoming quarter a number of times. Provided appropriate forecasting software is available, management can do its quarterly forecasts very quickly; it takes one airline three days! The overall time spent in the four quarterly forecast updates should be no more than five weeks.

Most organizations can use the cycle set out in Exhibit 1.9 if their year-end falls on a calendar quarter-end. Some organizations may wish to stagger the cycle, say May, August, November, and February.

You can access, for free, a webcast and paper on quarterly rolling planning from www.bettermanagement.com. Search "parmenter," select the material, and then register, if you have not done so already.

Converting Reporting from Information Memorandums to Decision-Based Reports

Many management reports are not management tools; they are merely memorandums of information. As a management tool, management reports should encourage timely action in the right direction. Organizations need to measure and report on those activities on which the board, management, and staff need to focus. The old adage, "What gets measured gets done," is still true.

For management reporting to become a management tool, monthly reporting must be combined with daily and weekly reporting. It is of little help to tell the senior management team that the horse has bolted halfway through the next month. If management is told immediately that the stable door has been left open, most management will take action to close it.

I have delivered a webcast and paper on decision-based reporting on www.bettermanagement.com. These are free to access. Simply search "parmenter," select the material, and then register, if you have not done so already.

Decision-based reporting has a profound impact on the KPI reporting, which needs to be timely, brief, and informative.

People Practices

At the center of all organizations are people practices; these are integral to all the elements of best practice. It is important that the KPI team understand people practices, as many KPIs, PIs, and RIs will influence them.

The placement of people practices at the center of all organizations is deliberate. The ability of any organization to pursue the best-practice path to performance improvement is determined by the effectiveness of its people practices.

Examples of people practices that leading firms adopt include:

- Effective, integrated top-down and bottom-up communications
- Focus on, and measurement of, employee satisfaction
- Training and development processes that promote career paths (including mentorship programs, empowerment programs, leadership training, running in-house development centers, etc.)
- Excellent occupational health and safety practices
- Focus on internal (and external) customers
- Innovative staff recognition systems (including CEO success express weekly newsletters, CEO bouquets)
- Focus on daily innovation at the workface (e.g., doing what we do every day better)
- Performance-based remuneration that relies on relative measures rather than performance against an annual fixed target
- Migration away from the classic staff performance review cycle, which is cumbersome, expensive, and too late to be of any use

Definitions

The next definitions are listed in order of importance:

Performance measure. Throughout this book, the term *performance measure* refers to an indicator used by management to measure, report, and improve performance. Performance measures are classed as key result indicators, result indicators, performance indicators, or key performance indicators.

Critical success factors (CSFs). CSFs are the list of issues or aspects of organizational performance that determine ongoing health, vitality, and wellbeing. Normally there are between five and eight CSFs in any organization.

Success factors. A list of 30 or so issues or aspects of organizational performance that management knows are important in order to perform well in any given sector/industry. Some of these success factors are much more important; these are known as critical success factors.

Balanced scorecard. A term first introduced by Kaplan and Norton describing how you need to measure performance in a more holistic way. You need to see an organization's performance in a number of different perspectives. For the purposes of this book, there are six perspectives in a balanced scorecard (see Exhibit 1.7).

Oracles and young guns. In an organization, oracles are those gray-haired individuals who have seen it all before. They are often considered to be slow, ponderous, and, quite frankly, a nuisance by the new management. Often they are retired early or made redundant only to be rehired as contractors at twice their previous salary when management realizes they have lost too much institutional knowledge. Their considered pace is often a reflection that they can see that an exercise is futile because it has failed twice before.

The young guns are fearless and precocious leaders of the future who are not afraid to go where angels fear to tread. These staff members have not yet achieved management positions.

The mixing of the oracles and young guns during a KPI project benefits both parties and the organization. The young guns learn much and the oracles rediscover their energy being around these live wires.

Empowerment. For the purposes of this book, *empowerment* is an outcome of a process that matches competencies, skills, and motivations with the required level of autonomy and responsibility in the workplace.

Senior management team (SMT). The team comprised of the CEO and all direct reports.

Better practice. The efficient and effective way management and staff undertake business activities in all key processes: leadership, planning, customers, suppliers, community relations, production and supply of products and services, employee wellbeing, and so forth.

Best practice. A commonly misused term, especially because what is best practice for one organization may not be best practice for another, albeit they are in the same sector. Best practice is where better practices, when effectively linked together, lead to sustainable world-class outcomes in quality, customer service, flexibility, timeliness, innovation, cost, and competitiveness.

Best-practice organizations commonly use the latest time-saving technologies, always focus on the 80/20, are members of quality management and continuous improvement professional bodies, and utilize benchmarking.

Exhibit 1.10 shows the contents of the toolkit used by best-practice organizations to achieve world-class performance.

Benchmarking. An ongoing, systematic process to search for international better practices, compare against them, and then introduce them, modified where necessary, into your organization. Benchmarking may be focused on products, services, business practices, and processes of recognized leading organizations.

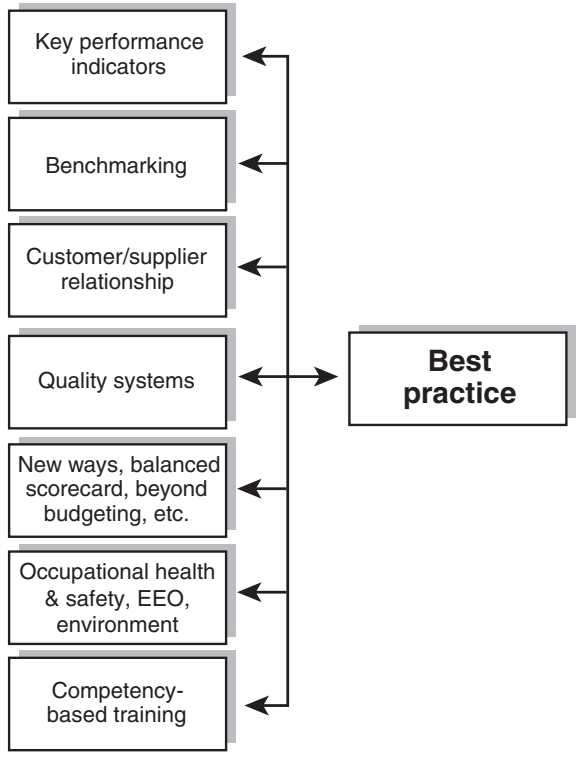


EXHIBIT 1.10 Best-Practice Toolkit

Notes

1. Robert S. Kaplan and David P. Norton, *The Balanced Scorecard: Translating Strategy into Action* (Boston: Harvard Business School Press, 1996).
2. Jeremy Hope and Robin Fraser, *Beyond Budgeting: How Managers Can Break Free from the Annual Performance Trap* (Boston: Harvard Business School Press, 2003).
3. Robert S. Kaplan and David P. Norton, *The Balanced Scorecard: Translating Strategy into Action* (Boston: Harvard Business School Press, 1996).

4. Robert S. Kaplan and David P. Norton, *Strategy Maps: Converting Intangible Assets into Tangible Outcomes* (Boston: Harvard Business School Press, 2004).
5. Barry J. Witcher and Vinh Sum Chau, "Balanced Scorecard and Hoshin Kanri: Dynamic Capabilities for Managing Strategic Fit," University of East Anglia UK, *Management Decision*, *Vol* 45, no. 3 (2007): 518–538.

CHAPTER 2

Foundation Stones for Implementing Key Performance Indicators

The ultimate success of a change strategy depends greatly on *how* the change is introduced and implemented rather than on the merit of the strategy itself. Successful development and utilization of key performance indicators (KPIs) in the workplace is determined by the presence or absence of four foundation stones (see Exhibit 2.1):

1. Partnership with the staff, unions, key suppliers, and key customers
2. Transfer of power to the front line
3. Measuring and reporting only what matters
4. Linkage of performance measures to strategy through the CSFs

Four Foundation Stones Guiding the Development and Use of KPIs

Partnership Foundation Stone

The successful pursuit of performance improvement requires the establishment of an effective partnership among management, local employee representatives, unions representing the

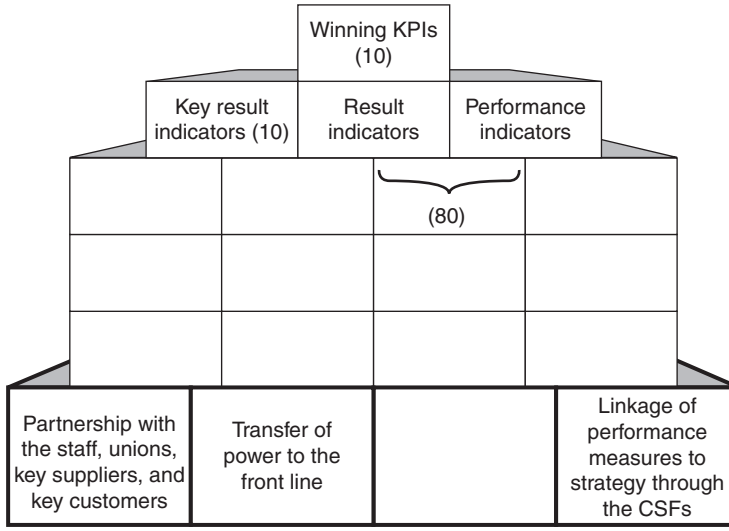


EXHIBIT 2.1 Four Foundation Stones for KPI Development

organization's employees, employees, major customers, and major suppliers. Implications of the partnership foundation stone include:

- Recognition by all stakeholders that significant organizational and cultural change requires a mutual understanding and acceptance of the need for change and how it is to be implemented
- Commitment to the establishment and maintenance of effective consultative arrangements with unions, employee representatives, and employees
- Joint development of a strategy for the introduction of best practice and KPIs
- Extension of the notion of partnership to include and involve the organization's key customers and key suppliers

If you want to improve satisfaction with your major customers, would it not make sense to sit down with them and

ask, "What should we measure to better manage the delivery of our products and services to you?" If you want your key suppliers' performance to improve, would you not visit them and discuss your expectations? What is important to you? What do you want to measure?

Example: An Airline

When team members were discussing how to improve performance with late planes that were about to land, they soon realized how important their key suppliers were. Instead of calling their cleaners and fuel suppliers numerous times each day, saying "Please treat these planes as a priority," they simply gave their key suppliers read-only access to their late-planes screen. They said, "Whenever a plane is over, say, one hour late, you have our preapproved authority to treat it as a priority." The cleaners then used a double cleaning crew. With the fuel suppliers, their staff were awaiting the plane, so refueling could commence as soon as it was safe to do so.

Transfer of Power to the Front Line Foundation Stone

Successful performance improvement requires empowerment of the organization's employees, particularly those in the operational "front line."

Implications of the transfer of power to the front line foundation stone include:

- The operation of effective top-down and bottom-up communication, including staff knowing what the CSFs are
- The empowerment of employees to take immediate action to rectify situations that are negatively impacting KPIs

(e.g., able to authorize doubling of cleaning staff to speed turnaround time for an anticipated late plane)
- Devolving responsibility to the teams to develop and select their own performance measures
- Provision of training on:
 - Empowerment
 - KPIs
 - The organization's critical success factors
 - Process improvement methods
- Additional support for those employees with literacy, numeracy, or other learning-related difficulties

Example: A Car Manufacturer

Leading car manufacturers have long realized the importance of empowerment. When staff members on the production line see a quality defect, they place a tag on it. If they have time, they will start to fix it. The next person on the line spots the tag and, after completing designated tasks, also carries on the rectification work. When the next operator realizes that the fault cannot be fixed before it will be covered over by the next installment of equipment, he or she simply pulls the "chord" to stop production.

Management then organizes the fixing of the fault and restarts the line. They investigate whether the decision to stop the line was correct. If not, they see it as a failure of the training, not the fault of the individual, and simply discuss the matter with the staff concerned.

The ability of staff to stop a production line without consultation is a high-level form of empowerment. The key to the success of this method is that staff members are not only empowered but feel confident to make the decision to stop the production line.

Measuring and Reporting Only What Matters Foundation Stone

It is critical that management develop an integrated framework so that performance is measured and reported in a way that results in action. Organizations should be reporting events on a daily/weekly/monthly basis, depending on their significance, and these reports should cover the critical success factors (CSFs). The human resources (HR) team has an important role to ensure that the workforce perceives performance measurement in a positive way (e.g., a way to increase their long-term job satisfaction, rather than the old views of performance measurement so well portrayed in the Peter Sellers film, *I'm All Right Jack*—a must-see for all of the KPI team).

Implications of the measuring reporting and only what matters foundation stone are:

- Every report should link to a success factor (SF) or critical success factor (CSF); no report should exist because it was done last month and the month before.
- We should measure only what we need to. Each measure should have a reason to exist, a linkage to an SF or CSF.
- What gets reported should get actioned. The CEO has to commit to making phone calls: "Pat, why did BA235 leave 2.5 hours late?"
- There needs to be a major revamp of reporting so that it is more concise, timely, efficient to produce, and focused on decision making.
- Organizational performance measures will be modified in response to the performance measures developed at team level.

A great exercise to perform in an organization is to ask the chief executive officer (CEO) to write a memo, requesting all staff and management to provide one copy of every report they

Example: Government Department

I once saw a pile of reports on a finance manager's desk. When I asked what they were, he said they were the budget holder's month-end reports. "What do you use them for?" I asked. There was a silence and then he replied in a low tone, "I do not use them. I call them if I need an explanation of a major variance."

Hundreds of hours of budget holder time were wasted each month that could have been better spent getting home at a reasonable hour.

work on in a given month. A person is designated to gather the reports, to ensure all management and staff has sent in their reports, and to weed out duplications. In some organizations, the pile will be over four feet high. Put it in a see-through container, and now make a container a quarter of the size and announce that is the total amount of reporting allowed.

Linking Performance Measures to Strategy through the CSFs Foundation Stone

For a performance measure to be a KPI it has to be linked to one or more of the organization's critical success factors (CSFs), more than one balanced scorecard (BSC) perspective, and the organization's strategic objectives. Performance indicators, being less important, are normally linked to the organization's success factors (SFs).

Exhibit 2.2 shows the linkage between mission, strategies, CSFs, balanced scorecard perspectives and performance measures.

An organization will be more successful if it has spent time defining and conveying its vision, mission, and values. They

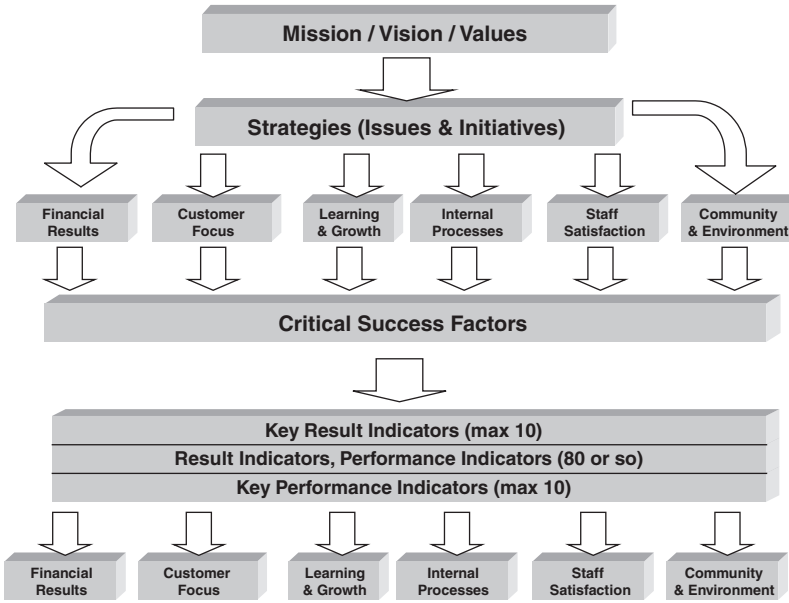


EXHIBIT 2.2 Journey from a Mission and Vision to Performance Measures that Work

need to be defined in such a way that staff and management intuitively work with them on a daily basis. CEOs who are great leaders and motivators—these often go hand in hand—continually promote the virtues of these three "beacons."

It is important that an organization has a well-considered and well-constructed strategy. These strategies need to link back to the six BSC perspectives. You may find when you cross-check your strategies to these perspectives that some perspectives might not be covered, in which case a revisit to the strategies may be required. Great CEOs ensure that their strategies encompass the staff satisfaction and environment/community perspectives, as demonstrated in the example that follows.

Commonly, an organization can juggle only a few strategies at the same time—for example, fewer than five strategies at any

one time. Naturally, these will change over time. Applications are now available that can assist greatly in formulating and deploying strategic direction. These applications often incorporate the BSC philosophy.

Ascertaining an organization's CSFs is a major exercise, and one that is often only obliquely tackled. CSFs identify the issues that determine an organization's health and vitality. When you first investigate an organization's success factors (SFs), you may come up with 30 or so issues that can be argued as being important for the continued health of the organization. The second phase of thinning them down is a relatively easy process (as illustrated in Chapter 7); the more important SFs have a broader influence impacting many other success factors. Better practice suggests that there should be only *between five and eight* CSFs. Once you have the right CSFs, finding the KPIs is much easier, as they will reside within these CSFs.

Example: Food Manufacturer

The speeches that a CEO of a food manufacturer makes on socially responsible business definitely creates a positive consumers' perception of the company and thus are directly linked to increased sales from the supermarket shelf.

When you are comparing two very similar brands of cereal, would you not choose the one where you have a connection with the CEO?

This particular cereal manufacturer does not use TV advertising because its public relations campaign is so successful. In fact, it has a newsletter in every package full of useful tips from fellow consumers, creating another reason for you, the consumer, to buy.

As the *Jungle Book* song points out, "The hip bone is connected to the thigh bone."

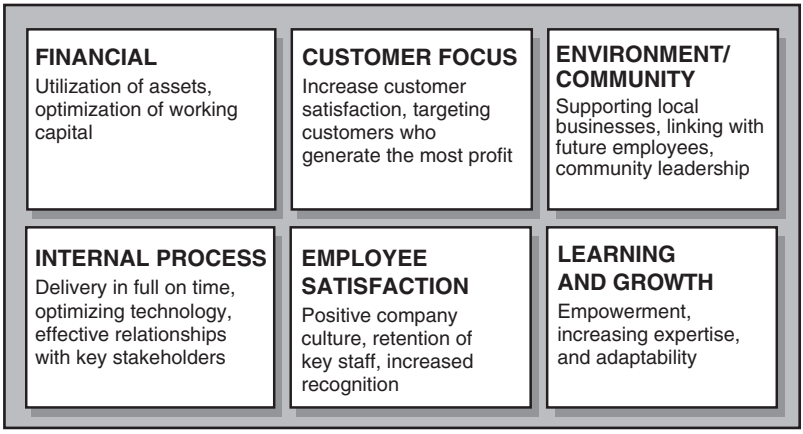


EXHIBIT 2.3 Six-Perspective Balanced Scorecard

The balanced scorecard in Exhibit 2.3 shows some of the likely SFs that might be relevant in an organization. A more complete list is contained in Chapter 7.

Implications of the linking of performance measures to the strategy through the CSFs foundation stone include:

- The CSFs have to be sifted from the numerous success factors in advance of determining the performance measures.
- The current strategies should be balanced (e.g., they should link to the six perspectives of the balanced scorecard).
- The KPIs, performance indicators, result indicators, and key result indicators that an organization is using should all be linked to either a CSF or an SF. The database of measures that an organization utilizes should record this linkage.
- The current strategies, the CSFs, and progress against them should be documented and reported to management and to staff on a regular basis.

Defining Vision, Mission, and Strategy

Organizations are waking up to the fact that this linkage must be understood if staff members are to be "fast, focused, and

flexible," as Bruce Holland,[1] a respected strategic planner and communicator, puts it. Strategic planning processes must be much more inclusive if your organization is to reap benefits.

Holland says, "If you have done your job properly, you should be able to rip up the final document, as staff and management have the linkage imprinted in their memory." Achieving this level of understanding is much quicker and easier than most managers and CEOs believe. Getting people throughout the organization involved can generate high levels of understanding, energy, goodwill, and commitment. Understanding the difference between a mission, vision, values, and strategy is vital.

The *mission* is like a timeless beacon that may never be reached (e.g., a multinational in the entertainment business has a mission "to make people happy," and 3M's mission is "to solve unsolved problems innovatively"). A mission statement can remain the same for decades if crafted well.

The *vision* outlines what the organization wants to be by a certain timeframe. A vision statement is more specific in terms of both the future state and the timeframe. A vision describes what will be achieved if the organization is successful. The vision can galvanize your organization if it is stated with enough clarity, is timebound, and is supported continually by the senior management team. There are some very famous visions, most notably John F. Kennedy's when he said, "I believe that this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to the earth." This simple statement galvanized the U.S. scientific community and the management and staff of organizations in a herculean effort to achieve this vision. From the moment it was spoken, NASA experts began to plan how the millions of essential building blocks required to achieve this vision needed to be put together.

The *values* are what your organization stands for: "We believe . . ." (e.g., a public sector entity has the values "seek

innovation and excellence, engage constructively, ask questions, support and help each other, bring solutions, see the bigger picture").

Strategy is the way an organization intends to achieve its vision. In a competitive environment, your strategy will distinguish you from your competition. In the public sector, your strategy determines the way you can best marshal your resources to achieve desired outcomes.

Note

1. Bruce Holland has a very insightful newsletter accessible from www.virtual.co.nz/consult/Articles/ThoughtsBruceH/Thoughts Introduction.htm.

CHAPTER 3

Developing and Using KPIs: A 12-Step Model

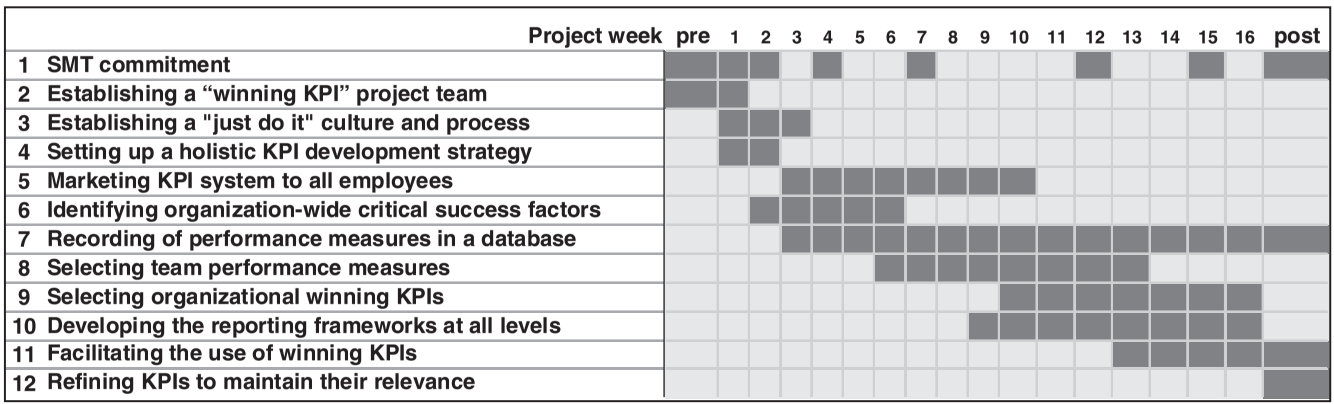
The 12-step model shown in Exhibit 3.1 is based on the four foundation stones (see Exhibit 3.2 and as outlined in Chapter 2), the findings from organizations that participated in the original AusIndustries study,[1] and a 10-year journey of mine.

Many organizations that have operated with key performance indicators (KPIs) have found the KPIs made little or no difference to performance. In many cases, this was due to a fundamental misunderstanding of the issues. Organizations often begin to develop a KPI system by immediately trying to select KPIs without the preparation that is indicated in the 12-step implementation plan. Like painting the outside of a house, 70% of a good job is in the preparation. Establishing a sound environment in which KPIs can operate and develop is crucial. Once the organization understands the process involved and appreciates the purpose of introducing KPIs, the building phase can begin.

Step 1: Senior Management Team Commitment

Purpose

The senior management team (SMT) must be committed to developing and driving through the organization KPIs and any balanced scorecard (BSC) that includes them. SMT commitment



Note: The blocks indicate the elapsed time, not actual time taken

EXHIBIT 3.1 12-Step Implementation Timeline

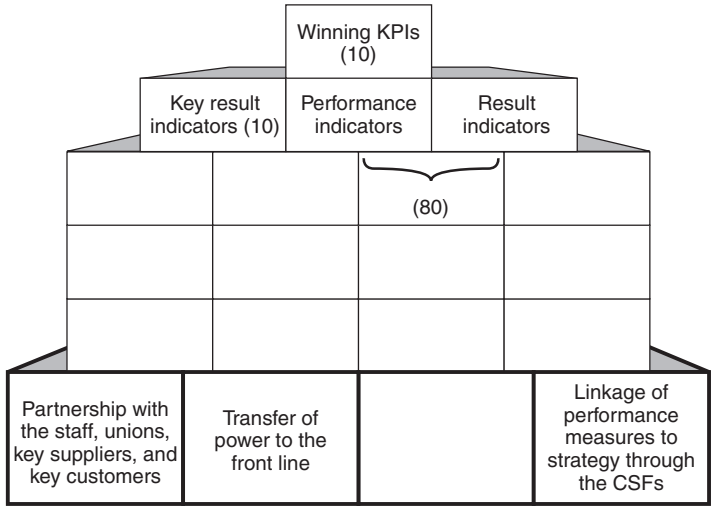


EXHIBIT 3.2 Four Foundations for KPI Development

creates a dynamic environment in which projects can thrive. Before the SMT can do this, its members need to be sold on the concept and fully understand why they should treat monitoring and following up on the KPIs as a daily task.

SMT commitment requires the setting aside, on a weekly basis during the project, sufficient time to:

- Give feedback on suggested critical success factors.
- Be available to the winning KPI team for interviews.
- Visit other organizations that are using KPIs.
- Ensure that the team gets support to build the databases and reporting systems to trap and report measures.

These reporting systems should utilize available in-house software and act as a stop-gap until they are replaced, a year or so from the time the initiative started, by more robust systems, such as a specialist BSC application and a new executive information system, which will become the primary vehicles for recording and reporting KPIs.

The significance of chief executive officer (CEO) commitment, in particular, is emphasized in the next comment by a client:

> *I think senior staff can simply view development of KPIs as an end in itself and go through with it "to keep the boss happy." They are not strategic in their view so they don't see the KPIs and the associated BSC as tools to help them better understand and manage their organization. This can be reflected in a loss of interest when the process of development gets tough, such as deciding on KPIs to use and the trade-offs to be made. While SMT is important, I think the CEO is critical. The CEO must be the central driver and carry around the embryonic KPIs with them all the time, talk about it frequently, and so on.*

Another client pointed out that their BSC lost support when the CEO changed. Thus, it is important to continually sell the benefits to all *new* senior team members as soon as they come on the scene. In fact, prior positive experience with a BSC should be included in the CEO position description, thus helping to ensure longevity of the scorecard. The last thing you need is a new CEO who is unfamiliar with the scorecard. He or she would be too high risk for the organization, as most unknowns are dismissed as they revert to their tried-and-tested ways.

Key Steps for SMT Commitment

The KPI team will need to incorporate these five tasks in the work it performs in step 1:

Task 1. Project needs to be sold to the SMT on emotional drivers, not logic. Nothing is ever sold by logic.

You sell through emotional drivers (e.g., remember your last car purchase). Thus, we need to radically alter the way we pitch this sale to the SMT and the board. We have to focus on the emotional drivers that matter to the SMT. Start by asking these questions:

- Do we know which of our success factors are critical?
- Does the lack of alignment of daily activities to strategy concern you?
- Are you overwhelmed by too many performance measures?
- Do you enjoy sifting through information overload in your precious family time?
- Are you missing goals by taking your eye off your critical success factors?

Then, as part of the sale process, point out to the SMT that:

- The previous performance measures have not changed anything.
- The focus on the right measures would mean the CEO and SMT would be more effective in less time, saving many long evenings/weekends of work.
- The right KPIs will link daily staff activities to the strategic objectives as they have never been linked before.
- This KPI project would start to transform the reporting into a decision-based tool with a greater focus on daily, weekly, and monthly reporting that is interesting, concise, and prompt.
- The investment of time and money in the current performance measurement system is not generating enough value (estimate on the high side—costs motivate the SMT).

The project team needs to focus on the marketing of this new concept, budget holders will need to

understand how this process is going to help them manage their business, and staff will need to understand that it is a positive experience enhancing their working life.

Many initiatives fail at this hurdle because we attempt to change the culture through selling logic, writing reports, and issuing commands via e-mail. It does not work. This project needs a public relations (PR) machine behind it. No presentation, e-mail, memo, or paper should go out unless it has been vetted by your PR expert. All your presentations should be road-tested in front of the PR expert. Your PR strategy should include selling to staff, budget holders, SMT, and the board.

If you were gifted at PR, you would most likely have chosen a different career. We have other gifts. If managed correctly, you will need only four to seven days of PR consultancy time. Avoid getting the PR expert caught up in lengthy meetings or writing original copy. This expert's role is to rework the output from the KPI team, working behind the scenes, often responding to e-mailed attachments once he or she has received an adequate debrief and visited the organization. This step should not be underestimated. I recommend you listen to some of my webcasts on www.bettermanagement.com, which are free to access.

Task 2. Appointment of a facilitator. The CEO needs to locate an external facilitator who will work with the SMT to scope the project, facilitate SMT commitment, help select the in-house KPI team, and support the KPI team in their journey of learning, discovery, and achievement. The facilitator needs to be experienced with

performance measurement issues and given time to familiarize him- or herself with this book.

Task 3. Facilitator delivers a half-day workshop to the SMT to kick-start the project. This workshop (included in Chapter 4) will, among other things:

- Explain the new thinking on performance measures.
- Emphasize the importance of knowing the organization's critical success factors.
- Show daily activities can be linked to the strategic objectives.
- Convey the importance of monitoring and following up on the KPIs as a daily task.
- Explain the difference among key result indicators (KRIs), result indicators (RIs), performance indicators (PIs), and KPIs.

In the workshop, the facilitator needs to ensure that the SMT members understand the commitment required each week to giving feedback on suggested measures, being available to the project team for interviews, visiting other KPI sites, and so on. Before running the workshop, the facilitator will send out the questionnaire in the KPI team resource kit.

Task 4. Hold a one-day focus group workshop. A cross section of staff members, between 15 and 30 experienced staff covering the business units, teams, area offices, and head office, and covering the different roles from administrators to senior management team members, come to a central location to help the formation of a KPI project that will work. The entire executive team should attend the morning session. The session is run by an outside facilitator, who delivers presentations and facilitates the workshops (see draft program in Chapter 4). It is essential that all potential candidates for the KPI

project team be present. As a result of this workshop, the project implementation program will be tailored to cover the main institutional barriers, and the SMT should be in a position to select the KPI team and commit to the project.

Shortcut: Merge This Workshop with the CSF Workshop in Step 6

By extending this focus group session into two days and extending the audience, you can merge the focus group outcomes with finding the CSFs. This is the approach I now adopt with most in-house workshops I perform.

Benefits include:

- As most attendees will be the same, it saves a day and the extra costs associated with accommodation and travel.
- Finding the CSFs at an earlier stage gives a tangible benefit earlier on in the project.
- This method builds momentum for the project sooner, because after the workshop, advocates for the process will be preaching the gospel.

Task 5. Project team delivers two short workshops to the SMT during the project. These workshops (about two to three hours long) help maintain the SMT's interest, provide an opportunity for the SMT to give valuable input into the project, launch newly designed reports, and convey progress.

Selling by Emotional Drivers: How a Car Sale Is Made

Let us look at how a second-hand car salesperson sells cars using emotional drivers.

Three customers over the same day arrive to look at the "car of the week" that has been featured in the local paper.

The first person is a young information technology guru, Y generation, with latest designer gear, baggy trousers part way down exposing a designer label on his shorts. The salesperson slowly walks up, all the time assessing the emotional drivers of this potential buyer, looking for clues, such as clothing, the car he arrived in, and so on. The opening line could be, "I hope you have a clean license, as I will not let you out in this beast if you have not. This car has 180 BHP, a twin turbo, and corners like it is on railway tracks." SOLD.

The second person could be me, with my gray hair visible. The salesperson would say, "This car is five-star rated for safety, eight air bags, enough power to get you out of trouble, unbelievable braking when you have to avoid the idiots on the road, and tires that will never fail you." SOLD.

The third person, with designer clothing and bag, is addressed with "This car has won many awards for its design. Sit in the driver's seat and see the quality of the finish. Everything is in the right place. I assure you that every time you drive this car you will feel like a million dollars!" SOLD.

The checklist in Exhibit 3.3 can be used as an aid to the KPI project team, ensuring that important tasks are not overlooked. The KPI team, with the facilitator, should amend this checklist before use to suit the organization and desired approach.

EXHIBIT 3.3 SMT Commitment Checklist

1. Is the CEO prepared to be the champion of this process?	☐ Yes ☐ No
2. If not, have you considered delaying the project until this level of commitment can be achieved?	☐ Yes ☐ No
3. Has all relevant background reading been provided for the SMT?	☐ Yes ☐ No
4. Has a presentation been made to the board and SMT to clarify the difference among KRIs, RIs, PIs, and KPIs? (FS)	☐ Yes ☐ No
5. Have you held a one-day focus group meeting?	☐ Yes ☐ No
6. Are the following SMT members willing to set aside time to be available for interviews and workshops?	
(Insert names)	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
7. Are some of the SMT members willing to set aside time for the occasional site visit to a better-practice organization?	☐ Yes ☐ No
8. Have likely candidates been selected for an in-house team to lead such a project?	☐ Yes ☐ No
9. Have you persuaded the HR team to include prior positive BSC experience in the person specifications of all SMT positions?	☐ Yes ☐ No
10. Have you sold the project using adequate emotional drivers?	☐ Yes ☐ No
11. Have the SMT members empowered the KPI team to make the decisions other than major investments? (FS)	☐ Yes ☐ No

EXHIBIT 3.3 (*Continued*)

12. Do the SMT members fully understand the linkage among measurement, reporting, and performance improvement? (FS)	☐ Yes ☐ No
13. Do the SMT members realize they will need to set aside time to make an important contribution in helping establish the CSFs that link to the current strategies? (FS)	☐ Yes ☐ No
14. Has adequate marketing been performed on SMT members who are not fully supportive of the initiative?	☐ Yes ☐ No

FS = step that links to a foundation stone.

Benefits of This Step. The selling of this project to the SMT members, using emotional drivers, will ensure SMT continued involvement. This KPI project will enhance their understanding of their business, further develop their organization's business strategies, and link day-to-day activities to the organization's strategic objectives.

Step 2: Establishing a Winning KPI Project Team

Purpose

A small, well-trained team using a large consultative process will have the best chance of success. According to Kaplan and Norton,[2] KPIs have rarely been successfully designed by an individual working behind closed doors with little or no consultation with staff and management.

A project team of two to four people is recommended depending on the size of the organization. The chosen project team members need to be committed full time and report directly to the CEO. Any layer between the CEO and the team indicates that Step 1 has not been successfully achieved (see Exhibit 3.4) and the project should not proceed.

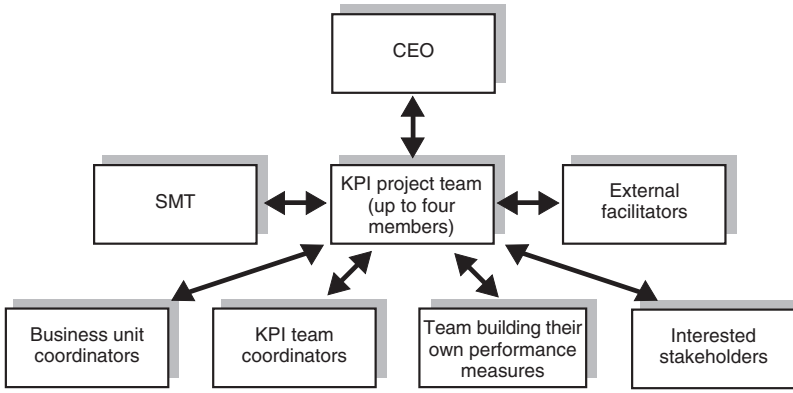


EXHIBIT 3.4 Where the KPI Team Sits and Its Important Linkages

The KPI project team members should be a balanced mix of oracles and young guns. Oracles are those gray-haired individuals whom you visit if you want to find out about what has happened in the past in the organization. Young guns are your young, fearless, and precocious leaders of the future, who are not afraid to go where angels fear to tread.

All business units and service teams should appoint to liaise with the KPI team a person who is sufficiently knowledgeable about their operation to provide information and feedback.

The interested stakeholders consist of those who can add a useful perspective to the project team, such as some members of the board, union representatives, representatives from some key suppliers, and key customers.

Do not include members of the SMT on the team, as they will be unable to meet the commitment required of being full time on this project.

Key Tasks for Establishing a Winning KPI Project Team

The KPI team will need to incorporate these four tasks among the work it performs in this step:

Task 1. External facilitator helps select the in-house KPI team. The external facilitator should help the SMT pick a team. Research into personnel records is recommended, as many talented staff are found in obscure places, and some may already have some KPI experience. The facilitator is looking for staff members who have a proven track record of excellent presentation and communication skills, a flair for innovation, the ability to complete what they start, knowledge of both the organization and sector, the aptitude to bring others on board, and the ability to be cheerful under pressure.

The facilitator will use the questionnaire (see Chapter 4) in the selection process. It is advisable to run some tests to assess the potential compatibility of prospect team members, such as personality and thinking preference, as it is likely they have never worked together on a large project before. The findings from these tests will help the KPI team members understand how to work better with each other. The human resources (HR) manager will know about these tests.

Task 2. Facilitator negotiates for full-time commitment of KPI project team. The facilitator needs to convince management that these staff members are required to be committed *full time*. A project office needs to be set up and the photos on the desk moved! The team's existing roles will be filled by their second-in-command, who will now move into the vacated office. Succession planning will be an additional benefit from this project. If project staff are still intending to start and finish the day at their desk, this project should be terminated.

Task 3. Facilitator identifies coordinators. The facilitator also needs to identify a liaison person for each business unit or service team. This person needs to

be knowledgeable about the operation, as his or her role is to provide the KPI team with detailed knowledge about their area of operation, to provide feedback, and so forth.

Task 4. Facilitator develops training schedule and holds training exercises for the KPI project team. The facilitator will need to establish the knowledge gaps and set up training and some team-building exercises for the team. The exercises might include:

- Preparing a presentation to sell an idea through the audiences' emotional drivers
- Research exercises both through the company's files and the intranet; for example:
 - Find me the last five reports done internally on performance measurement issues.
 - Find me the articles and white papers written on the topic in major journals and respected Web sites.
- Going away for a weekend on a team-building excursion

The KPI team will need training and assistance. The type of training will include:

- A comprehensive understanding of this KPI book
- How to pass on knowledge using better-practice teaching techniques
- How to facilitate workshops, which they will be running
- How to deliver informative presentations
- How to design databases
- Better-practice communication techniques
- Maintaining a vibrant project team home page on the intranet

For organizations with a staff of 3,000 or more, the facilitator will also be involved in training KPI teams in

each main business unit. These teams will be supported by a central team of trained in-house KPI consultants. The facilitator will train the in-house consultants who then will train the KPI teams as the rollout occurs.

The checklist in Exhibit 3.5 can be used as an aid to the KPI project team, ensuring that important tasks are not overlooked. The KPI team, with the facilitator, should amend this checklist before use to suit the organization and desired approach.

Benefits of This Step. The project will have a team with the capability to deliver, provided it is supported by a forward-thinking SMT. This team will have a good support network and a vibrant and informative intranet home page.

Step 3: Establishing a "Just Do It" Culture and Process

Purpose

"Getting it right the first time" is a rare achievement, and creating winning KPIs is no exception. The resulting performance measure reports are just like a sculpture—you can be criticized on taste and content, but you cannot be wrong. The SMT and winning KPI project team need to ensure that the project has a "just do it" culture, not one in which every step and measure is debated as part of an intellectual exercise.

The facilitator's role is to ensure that the project team does not spend too much time on research. In addition to this KPI book, the facilitator should ensure that the team is familiar with *The Balanced Scorecard: Translating Strategy into Action* by Kaplan and Norton.[3] Many examples of reporting templates on the World Wide Web can be modified for use by your organization.

EXHIBIT 3.5 Establishing a Winning KPI Team Checklist

1. Have a maximum of four staff been appointed to the KPI team?	☐ Yes ☐ No
2. Are at least half of the team working full time on the project?	☐ Yes ☐ No
3. Has the KPI team received all designated training? (It is important that all training needs noted in the planning phase have been addressed.)	☐ Yes ☐ No
4. Have all business units or service teams allocated a liaison person to work with the project team?	☐ Yes ☐ No
5. Have you been able to convince the SMT to step aside from project team responsibilities?	☐ Yes ☐ No
6. Are project team members a balanced mix of oracles and young guns?	☐ Yes ☐ No
7. Has the project team developed their intranet page to include:	
■ Photos, CVs, interests, contact details of all team members?	☐ Yes ☐ No
■ Linkage between performance measures (as they are being developed) and the organization's CSFs, strategies, vision, and mission? (FS)	☐ Yes ☐ No
■ Database of performance measures as they are being developed?	☐ Yes ☐ No
■ Useful reference material (articles, etc.)?	☐ Yes ☐ No
■ Team scorecards as they are finished?	☐ Yes ☐ No
■ Contact details of all the business unit coordinators?	☐ Yes ☐ No
■ Implementation program and details about each step?	☐ Yes ☐ No
■ A forum for sharing ideas, answering questions?	☐ Yes ☐ No
■ Progress reports?	☐ Yes ☐ No

EXHIBIT 3.5 (*Continued*)

8. Have winning KPI team members been given an induction to this KPI book (understand the difference among KRIs, RIs, PIs, and KPIs, what critical success factors are, the foundation stones, the 12 steps, etc.)? (FS)	☐ Yes ☐ No
9. Have the winning KPI team members been introduced to all the key stakeholders, ensuring that the key stakeholders fully understand and appreciate project requirements, the processes, and their role? (FS)	☐ Yes ☐ No
10. Has the delegated authority to the KPI team been finalized? (FS)	☐ Yes ☐ No
11. Have the team members previously demonstrated:	
■ Excellent presentation skills?	☐ Yes ☐ No
■ Innovation?	☐ Yes ☐ No
■ Ability to complete large projects?	☐ Yes ☐ No
■ Knowledge of the organization and sector?	☐ Yes ☐ No
■ Advanced communication skills?	☐ Yes ☐ No
■ Ability to bring others on board?	☐ Yes ☐ No

FS = step that links to a foundation stone.

With this "just do it" culture and process comes a belief that we *can* do it—we do not have to rely on experts to run the project. In any case, many CEOs are extremely cautious of large projects that they perceive to be primarily run by external consultants. It is worth noting that consultants, like artists, may not necessarily produce the sculpture that you want or need.

Establishing your winning KPIs is not complex, and the process should be carried out in-house, provided the team has the assistance of an experienced facilitator. The facilitator's role is principally that of a mentor to the project team; thus the facilitator should keep a low profile at the presentations.

There is no need to invest in BSC applications during the first 6 to 12 months, as the team should be utilizing existing spreadsheet, presentation, and database applications. This eliminates the delay caused by having to tender, select, and populate specialized software at this stage. You can do that more efficiently and effectively in the second year of the project, when the organization has a better understanding of KPIs.

Applications such as SharePoint Team Services enable the KPI team to set up:

- Intranet pages that everyone with an interest in winning KPIs can access
- Preformatted lists containing memos and articles with expiration dates to keep announcements current
- Forums to discuss issues
- A place to collaborate on key winning KPI documentation and reports in real time
- A collaborative performance measure database

Key Tasks to Establish a "Just Do It" Culture and Process

The KPI team will need to incorporate these five tasks within the work it performs in this step:

Task 1. Provide training and support to teams so they can develop their performance measures. Major breakthroughs in performance improvement will result from the application of KPIs in local teams or work groups. This level of implementation is actually more significant than business unit–level or even organization-wide implementation. Recognize that significant educational resources and time are required to implement performance measures in teams.

Task 2. Introduce a moratorium on all existing KPIs. Every organization is likely to have a number of performance measures in place, even if they are not called KPIs. These existing measures need to be reviewed to fit them within the new four-tiered structure of performance measures (KRIs, RIs, PIs, KPIs). All new measures should be allowed to be developed only from the project; there must be a moratorium on measures developed elsewhere.

The organizational emphasis on the existing KPIs will be reduced as soon as SMT members have been educated in what KPIs really are. All the existing measures will be included in the evaluation process with many being superseded.

Task 3. Check back to the four foundation stones. When a consensus has been reached on the agreed process for developing and using KPIs, a review must take place to ensure that all the steps are consistent with the four foundation stones of:

1. Partnership
2. Transfer of power to the front line
3. Measuring and reporting only what matters
4. Linkage of performance measures to strategy through the CSFs (to CSFs, BSC perspectives, and then back to the strategy)

Task 4. Validate process and plan with stakeholders. An agreed process and plan for introducing KPIs should be developed in consultation with management, local employee representatives, unions representing the organization's employees, employees, major customers, major suppliers, and the board. Many of the concerns held about introducing measurement can be overcome at this stage if these stakeholders validate the process for developing KPIs.

Task 5. Determining the perspectives of the balanced scorecard. Take a practical approach and avoid getting involved with debates on perspectives and their names. For the first year, stick to the names suggested next and focus your energies elsewhere.

You will need a name for each of these perspectives:	Why not call the perspective:
Financial performance	Financial
Development of staff	Learning and growth
Customer satisfaction	Customer focus
Internal processes, innovation, use of new technology, etc.	Internal process
Staff satisfaction	Staff satisfaction
Relationship with the environment and the community	Environment/ community

Staff satisfaction and environment/community are both important considerations and should not be omitted from your BSC. The latter is also important because it means the winning KPI will incorporate all triple-bottom-line issues (environment, social, and financial) as well as retaining the consistency with Kaplan and Norton's work.

The checklist in Exhibit 3.6 can be used as an aid to the KPI project team, ensuring that important tasks are not overlooked. The KPI team, with the facilitator, should amend this checklist before use to suit the organization and desired approach.

Benefits of This Step. Establishing a "just do it" culture and process will enable the project team to cut through red tape and deliver a timely suite of performance measures, recognizing that it will require further tailoring and improvement at a review period six to eight months down the road.

EXHIBIT 3.6 Establishing a "Just Do It" Culture and Process Checklist

1. Has the process largely been driven by in-house resources?	☐ Yes ☐ No
2. Have you ensured that the process will help cultural consistency?	☐ Yes ☐ No
3. Have you reviewed all the implementation steps and confirmed that they build on the foundation stones?	☐ Yes ☐ No
4. Has the SMT openly supported and promoted a just-do-it culture?	☐ Yes ☐ No
5. Has the project intranet page emphasized the just-do-it culture?	☐ Yes ☐ No
6. Have you introduced a moratorium on existing KPIs?	☐ Yes ☐ No
7. For the first 12 months, are existing spreadsheet, reporting, and database applications being utilized?	☐ Yes ☐ No
8. Have the SMT members ensured that the stakeholders have been consulted and have contributed to the thinking on:	
■ The initial purpose of the introduction of KPIs?	☐ Yes ☐ No
■ The uses and application of KPIs?	☐ Yes ☐ No
■ The initial spread and penetration of KPIs throughout the entire organization?	☐ Yes ☐ No
■ The pace at which KPI introduction and implementation will proceed?	☐ Yes ☐ No
■ The training and education required to empower employees to create their own KPIs? (FS)	☐ Yes ☐ No
9. Has the SMT announced that it has delegated authority to the KPI team and will abide by their decisions? (FS)	☐ Yes ☐ No

EXHIBIT 3.6 (*Continued*)

10. Have the appointed coordinators in business units and teams been given an induction to the processes (understand the difference among KRIs, RIs, PIs, and KPIs, what are critical success factors, the foundation stones, the 12 steps, etc.)? (FS)	☐ Yes ☐ No
11. Has the project team accessed a KPI database?	☐ Yes ☐ No

FS = step that links to a foundation stone.

Step 4: Setting Up a Holistic KPI Development Strategy

Purpose

This step involves placing the KPI project in a total holistic strategy for achieving best practice. It is important to map an overall strategy for organizational change, noting the purpose and role of KPIs within this entire process. In addition, it is necessary to consider how best to run the implementation.

The most appropriate implementation is influenced by the size of the organization, the diversity of the business units, the organization's locations, and the in-house staff resources available for the project. Each implementation is like a fingerprint, unique to the organization, and should be designed in consultation with the stakeholders, the external facilitator, and prior experience on what has worked and not worked in past implementation rollouts.

There are a number of questions to answer.

- Do we have a window of time and resources to commit to this project? (e.g., if there is a major project looming in the near future, management will surely divert time and resources to it.)
- How should we best implement winning KPIs across our organization?

- Have we maximized the fit with the other changes our organization is pursuing to achieve world-class performance?

When you can answer these questions clearly, you will be able to locate KPIs in the total performance improvement game plan.

Key Tasks for Setting Up a Holistic KPI Development Strategy

The KPI team will need to incorporate these four tasks within the work it performs in this step:

Task 1. Ascertain the existing measurement culture. Be aware of the current understanding of performance measurement and how it has been used in the organization. It takes time to adapt new approaches to performance measurement. It is therefore important to plan the introduction to KPIs with an appreciation of the organization's existing comfort (or discomfort) levels with performance measurement.

Task 2. KPI project phased approach. For organizations with fewer than 500 staff, a total rollout in 16 weeks is achievable. Organizations with over 500 full-time employees (FTEs) will require a phased approach. The larger the organization, the more focused the first phase must be. For a 100,000-FTE multinational, the first phase would be limited to one of the core businesses, where the benefits are the greatest, and include the head office units, as these must be able to support this process early on. Exhibit 3.7 shows the indicative rollout duration for organizations of different sizes.

For organizations with more than 3,000 employees, there will be KPI teams in each main business

EXHIBIT 3.7 Indicative Rollout Duration (use as guide only)

Size of organization (FTEs)	Less than 200	200–500	500–3,000	3,000–10,000	10,000+
First phase (2-person KPI project team)	6 weeks	18 weeks	16–20 weeks for first phase	Too small	Too small
First phase (4-person KPI project team)	6 weeks (no time saving but better product)	16 weeks	16–20 weeks for first phase	20–26 weeks for first phase	20–30 weeks for first phase
Rollout phases	Not required	Not required	10 weeks for each rollout phase	10 weeks for each rollout phase	10 weeks for each rollout phase

unit. These teams will be supported by a central KPI team. This central KPI team, whose members will be trained by the facilitator, will effectively be in-house KPI consultants who travel in pairs to support the KPI teams in each main business unit. The size of the central KPI team varies according to the speed of rollout required.

The number of in-house consultants can be supplemented by external consultants, provided they have been trained in the methodology. The number of trained in-house KPI consultants required will vary depending on the complexity of the rollout and prior experience from other project rollouts in the organization.

Each rollout can be performed by trained business unit project teams, which will be supported by a designated KPI project team member. It is unlikely that more than three business units can be rolled out simultaneously because there will be inadequate support from the central KPI team.

Subsequent rollout in other countries and business units will meet different types of resistance and hurdles. Business units in Asia may require a higher number of workshops than those in Europe or vice versa. The rollout will also need to take into account the current significance of subsidiaries' operations and their long-term future (e.g., there may be no point embarking on a rollout to a foreign subsidiary if it is to be sold).

Task 3. Once started, ensure that every rollout phase is completed within a 16-week timeframe. The rollout success will be dependent on maintaining momentum and energy. Once a business unit or subsidiary has been selected, there should be an intensive push to complete. Each rollout phase should not be allowed to take more

than 16 weeks, as the groundwork already has been prepared. A business unit rollout could take as few as 10 weeks. It is unlikely to be shorter due to the level of consultation and the team performance measures workshop rollout.

Task 4. Be flexible about the rate of progress required. KPIs do not have to be applied uniformly within the organization. Typically, the drive to introduce KPIs originates from senior or corporate levels of management, but it can also be pushed up from within the organization. Where flexibility is allowed, different parts of the organization can proceed with the introduction of KPIs at varying paces, according to their own requirements and readiness.

A flexible approach to the development of KPIs avoids at least two potential problems associated with centralized, universal implementation:

1. Too much top-down influence on KPI selection, resulting in a lack of ownership in the measures and resistance to their use
2. Difficulties associated with coordinating and resourcing KPI development in several business units, departments, and work groups at the same time

Shortcut: Perform Part of This Step While You Are Performing Step 1

It is important that KPI projects are not undertaken in an environment where they are doomed to fail. The external facilitator should recommend deferral of the project if there are any doubts about conflicting priorities, and adequacy of resources.

Benefits include:

- It is far better to delay this project to a period where management will assign adequate resources and have time to commit to it.
- Staff do not see performance measurement as a passing fad, or "yet another failed project initiated by management."

The checklist in Exhibit 3.8 can be used as an aid to the KPI project team, ensuring that important tasks are not overlooked. The KPI team, with the facilitator, should amend this checklist before use to suit the organization and desired approach.

Benefits of This Step. A coherent approach will be established that should encourage employee, SMT, board, and union buy-in and commitment.

Step 5: Marketing the KPI System to All Employees

Purpose

Employees must be prepared for this change. The project team and the SMT need to:

- Convince employees of the need for change with open and honest information sharing.
- Spell out what change is required.
- Show how KPIs contribute to the broader change strategy.
- Attract employees' interest so that they want to participate.
- Address employee resistance to change and to performance measurement.

A formal briefing program should be held to outline the changes associated with introducing KPIs into the organization.

EXHIBIT 3.8 Setting Up a Holistic KPI Development Strategy Checklist

1. Are you prepared to explain why KPIs are necessary?	☐ Yes ☐ No
2. Are you prepared to allow KPIs to develop and evolve?	☐ Yes ☐ No
3. Have the stakeholders reached agreement on the initial purpose, spread, and penetration of KPIs throughout the entire organization? (FS)	☐ Yes ☐ No
4. Have the stakeholders reached agreement on the pace at which KPI introduction and implementation will proceed? (FS)	☐ Yes ☐ No
5. Have you evaluated the existing measurement culture in your organization?	☐ Yes ☐ No
6. Have you defined what world-class performance is in your organization?	☐ Yes ☐ No
7. Have you defined the changes that your organization is introducing to achieve world-class performance?	☐ Yes ☐ No
8. Has an internal PR campaign been established to help remove the suspicions that might exist among staff? (FS)	☐ Yes ☐ No
9. Has the SMT agreed to provide training and education required to empower employees to create their own performance measures and take immediate remedial action when necessary? (FS)	☐ Yes ☐ No
10. Has the SMT provided a coherent integrated framework of strategies and critical success factors that linked to the BSC perspectives?	☐ Yes ☐ No
11. Has a decision been made as to whether KPIs are going to be developed for the whole organization or just specified business units?	☐ Yes ☐ No
12. Can you be flexible about the rate of progress required?	☐ Yes ☐ No

FS = step that links to a foundation stone.

By its conclusion, all employees should at least believe that they need to do something differently, and a core group should be clear about implementation issues and how performance measures will be used. Those who have shown an aptitude for the new KPI model should become the team coordinators, who will support and help the KPI team to develop and implement KPIs.

Key Tasks for Marketing KPI System to All Employees

The KPI team will need to incorporate these five tasks within the work it performs in this step:

Task 1. Run a survey on a cross section of staff. A survey is required to find out the current perceptions on existing performance information in the organization, the current concerns about the new project, and what needs to be covered in the employee briefings. With the help of the HR team, make a selection of experienced staff covering all regions, levels of staff, and so forth. This cross-section sample should not be greater than 200, or 10% of total staff, and not less than 50 staff. With these numbers, you can close off the survey with a 60% return rate and still have a valid survey. Too large a sample will make data mining more difficult and seldom raises any new issues. The questionnaire is set out in Chapter 4 (the resource kit).

Task 2. Build a case for change with PR support. Demonstrate that KPIs are part of an SMT-agreed package of initiatives to respond to the pressures on the organization. Spell out these pressures in terms that people can understand. Use comparative information from preliminary benchmarking to highlight the performance gap between your organization and best practice. It is important to utilize the services of an expert in public relations.

As already stated, in selling the project to the SMT in step 1, nothing was ever sold by logic! You sell through emotional drivers. Thus, you need to radically alter the way you pitch this sale to the staff. You have to focus on the emotional drivers that matter to them:

- The right mix of performance measures will make work more rewarding and enjoyable (e.g., greater staff recognition).
- The focus on the right measures would mean their work would be more effective (e.g., their day-to-day work would be better linked to the organization's strategic objectives).
- Over time, they would have more empowerment and autonomy (e.g., staff making more decisions).
- Winning KPIs will enhance profitability and thus offer greater job security and possibly increased remuneration (e.g., through profit-sharing arrangements).

Many initiatives fail at this hurdle because we attempt to change the culture through selling by logic, writing reports, and issuing commands via e-mail. It does not work. This project needs a PR machine behind it. No presentation, e-mail, memo, or paper should go out to staff unless it has been vetted by your PR expert. All your presentations should be road-tested in front of the PR expert.

Please view my webcasts on www.bettermanagement.com, where I have discussed this in more detail and provided you with material to help the sales process.

Task 3. Use the vision to attract the staff. Generate interest by painting a picture of how the workplace could look in two to three years once KPIs and other initiatives have taken hold. Over time, empowered staff will begin to generate their own versions of the vision for the workplace. However, in the beginning, it is critical that

the KPI project team is passionate about the task. The PR expert is to ensure that all documentation sells this vision adequately (e.g., in memos, presentations, and the KPI team intranet pages).

Task 4. Roll out a road show to all staff. Structure road-show briefings so that all employees hear the message, taking into account language skills, literacy, and shift-work patterns. It is important to demonstrate the existence of a partnership in change. To this end, employee/union representatives also should address staff attending the road show, outlining their support for winning KPIs.

The best workshops seem to be held in informal workplace settings, involving local management known to the audience, which are managed to maximize feedback. (In larger groups, the use of written questions submitted by the audience will encourage staff to raise issues.) A suggested road-show program is presented in Chapter 4.

Shortcut: Merge This Road Show with the Selecting Team-Level Performance Measures Workshop in Step 8

By extending this road-show session into a one-day workshop, you can merge road-show outcomes with team-level performance measures workshop. Teams will complete their first version of their team scorecard. This is the approach I now adopt with most in-house workshops I perform.

Benefits include:

- As most attendees will be the same, it saves having two disruptions to the same operational teams.

- Merging steps 5 and 8 together helps staff understand more about the purpose behind this process.
- This method builds momentum for the project sooner as the teams can start working with their scorecard earlier.

In the presentation, address the issues and perceptions raised in the employee survey that are important to your audience through small-group briefings, spelling out the workplace vision. The briefings are used to explain the purpose and use of KPIs, address any concerns, and spell out ground rules and the way forward.

Employees often are concerned that performance information will be:

- Collected on individuals and held against them (e.g., for disciplinary purposes)
- Filtered both in content and distribution (e.g., "They only show us information when it suits their purposes")
- Used to allocate blame for performance problems

Task 5. Illustrate "Where to next?"—the intranet KPI home page. Introduce the staff to the project team intranet KPI home page and show them how to use it. Describe the steps required to develop and implement KPIs, indicate key employee roles, and publish a timeframe for process completion. A timeframe shows you are committed. After you have published a timeframe, demonstrate the necessary discipline to achieve it.

The checklist in Exhibit 3.9 can be used as an aid to the KPI project team, ensuring that important tasks are not overlooked. The KPI team, with the facilitator, should amend this checklist before use to suit the organization and desired approach.

EXHIBIT 3.9 Marketing the KPI System to All Employees Checklist

1. Have you delivered joint briefings to employees with SMT, project team, and union representatives presenting on the same platform? (FS)	☐ Yes ☐ No
2. Has all material been reviewed by a PR expert? (FS)	☐ Yes ☐ No
3. Have initial briefings specifically addressed employee concerns by stressing the consultative, training-related processes by which employees in teams will develop their own KPIs?	☐ Yes ☐ No
4. Has a broad vision of what change is required been spelled out?	☐ Yes ☐ No
5. Have you sold the need for KPIs through emotional drivers that mean something to the employees?	☐ Yes ☐ No
6. Have you described the next steps in the process of developing and implementing winning KPIs?	☐ Yes ☐ No
7. Have you indicated the key roles for employees to play?	☐ Yes ☐ No
8. Has the SMT set aside funding for in-house workshops to be rolled out covering all teams?	☐ Yes ☐ No
9. Have the project team and the SMT addressed people's concerns about change and performance measurement?	☐ Yes ☐ No
10. Has sufficient interest been aroused so employees want to participate in the KPI project?	☐ Yes ☐ No
11. Have you used success stories to help sell the message?	☐ Yes ☐ No
12. Have you provided training on how employees can best use the KPI project home page?	☐ Yes ☐ No
13. Have you published a timeframe with appropriate milestones and a realistic deadline?	☐ Yes ☐ No

FS = step that links to a foundation stone.

Benefits of This Step. Marketing the KPI system to all employees maximizes the commitment from a broad cross section of employees.

Step 6: Identifying Organization-Wide Critical Success Factors

This step is so important it has a whole chapter dedicated to it. Please refer to Chapter 7.

Step 7: Recording Performance Measures in a Database

Purpose

The KPI team will have gathered and recorded performance measures from information gained during discussions held with senior management, revisiting company archives, reviewing monthly reports, and external research from the beginning of the project. There will also be many performance measures generated from each team workshop.

Performance measures identified need to be collated in a database. This database needs to be up to date, complete, and made available to all employees to help support their understanding of performance measures and to assist with their selection of their team measures. The suggested fields are set out in Exhibit 3.10.

Key Tasks for Recording Performance Measures in a Database

The KPI team will need to incorporate these five tasks within the work it performs in this step:

Task 1. Select a database that has wide access within the organization and is user friendly. Most organizations

Name of performance measure	Type of PM (KRI, RI, PI, KPI)	Person responsible	System where data are to be gathered	BSC perspectives	Time zone (past, current, future)	Frequency of measurement (24/7, daily, weekly, monthly	Linkage to CSFs/SFs	Team xx	Team xx	Team xx	Team xx	Team xx	Team xx	Suggested target
Number of initiatives implemented from the quarterly rolling client survey	PI	JAK	Word	CF	P	Weekly	Retain key customers Increased repeat business	✓	✓	✓				All by 3 months post survey
Late planes over 2 hours late	KPI	BT	Intranet	CF IP F E & C	C	24/7	Timely arrival and departure of planes	✓	✓	✓			✓	< 3 per week
Number of initiatives to be implemented next month, months 2–3	KPI	CST	Intranet	CF IP F E & C	F	Weekly	Timely arrival and departure of planes	✓	✓	✓	✓		✓	> 3 per month per team

EXHIBIT 3.10 Performance Measure Database Layout Example
CF = Customer Focus, IP = Internal Process, F = Financial, E&C = Environmental and Community

operate database applications, which are underutilized. The KPI team must learn to use the in-house database application and design and build a performance measure database that is easy to use. An Access performance measure database is available from www.davidparmenter.com for a small fee. Search in templates for the "Performance Indicator Measures Ledger."

Task 2. Build the database. The database should include sections where teams:

- Select the critical success factors (CSFs)/success factors (SFs) that are relevant to them.
- Can interrogate the database using keywords to see if their measure is already included.
- Can add new performance measures. (Only the KPI team should have power to delete measures.)
- Record their selection of all the measures they are proposing to use.

Task 3. Populate the database. On a daily basis, the measures that have been identified need to be input into the database to ensure that they are not lost in a mountain of paperwork. In order to maintain consistency of input, one person or a small team should be responsible for this action. An easy-to-use input form should be set up in the database to facilitate entering the measures in a timely manner.

Task 4. Train all teams to use the database and to refine the performance measures constantly. The KPI team needs to train all the other teams on not only how to use the database but also the significance of each database field. This is best achieved through the rolling workshops they will be giving teams. Teams will be trained to review the database to see if any new measure has emerged that is very relevant for their team. This will be performed as part of a later step.

The team will need to refine the performance measures constantly by "peeling more layers off the onion." In time, a clearer hierarchy of measures will develop, some will be discarded, and new measures will start emerging that will have a profound impact on the organization's future.

Task 5. Ensure that all database fields are complete for every performance measure. The project team needs to review the database constantly, cleanse it of duplication, and encourage teams to look at measures that have been selected by their peers.

The checklist in Exhibit 3.11 can be used as an aid to the KPI project team, ensuring that important tasks are not overlooked. The KPI team, with the facilitator, should amend this checklist before use to suit the organization and desired approach.

Benefits of This Step. Recording measures in a database checklist creates a vital electronic working tool for the KPI project team and for teams selecting and recording their performance measures. This tool will ensure a high level of consistency throughout the organization.

Step 8: Selecting Team-Level Performance Measures

Purpose

This is a vital step in performance improvement. The appropriate team performance measures will help teams to align their behavior in a coherent way to the benefit of the entire organization. This is achieved because teams are focusing on those performance measures that are linked to the organization's CSFs.

Team performance measures will be comprised mainly of RIs, PIs, and some of the organization's KPIs, where relevant

EXHIBIT 3.11 Recording of Measures in Database Checklist

1. Have you spoken to the information systems team to identify databases for which your organization holds current licenses?	☐ Yes ☐ No
2. Have you incorporated all the recommended database features contained in this book?	☐ Yes ☐ No
3. Have all KPI team members been trained so they can update the new database daily?	☐ Yes ☐ No
4. Have you adequately tested the database before issuing it?	☐ Yes ☐ No
5. Does each team and business unit coordinator have access to the performance measure database? (FS)	☐ Yes ☐ No
6. Is the database being reviewed on a weekly basis to ensure consistency of input? (KPI project team members and team coordinators will be entering data.)	☐ Yes ☐ No
7. Are all the database fields being used appropriately?	☐ Yes ☐ No
8. Are all measures being linked back to a relevant success factor/critical success factor? (FS)	☐ Yes ☐ No
9. Is there a column for all teams so they can record their selection?	☐ Yes ☐ No
10. Have you limited access to the database so staff can add measures but not delete them?	☐ Yes ☐ No
11. Have you piloted the database training workshop material to ensure that it informs and educates?	☐ Yes ☐ No
12. Have you checked to ensure that the database has been updated for every workshop held?	☐ Yes ☐ No

FS = step that links to a foundation stone.

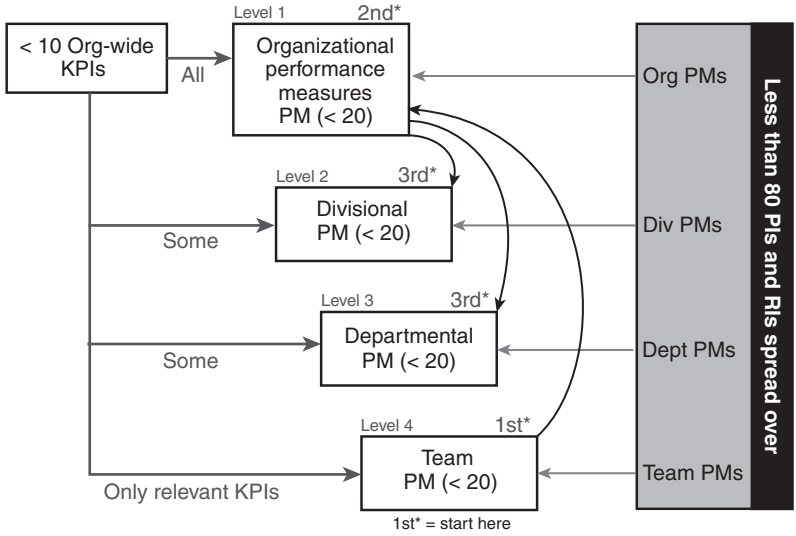


EXHIBIT 3.12 Interrelated Levels of Performance Measures in an Organization

(e.g., a late plane's measure would have been monitored by the front desk, engineering, catering, cleaning, etc., but not the accounting team).

Although management often tends to become focused on achieving KPI introduction at the global, organization-wide level, in reality the critical issue is getting these KPIs embedded in the teams that need to take corrective action 24/7.

Thus, it is at the team level—level 4 in Exhibit 3.12—that significant and sustainable performance improvement can be achieved through the use of performance measures.

Why Team Performance Measures Are Critical

Every CEO wishes that employees' day-to-day work would align itself with the organization's strategic objectives. Yet this is

seldom the case. Why does your marketing team measure *all* customer satisfaction infrequently when the CSF in that area might be "increased repeat business from key customers"? Surely you should be measuring the satisfaction of key customers regularly and ignoring those customers you could do without. Why does dispatch do the same quality control and timely dispatch procedures for all customers, when it is your key customers that should get extra checks at the expense of those customers that you would be better off losing? The answer lies with the fact that we have not communicated the critical success factors to staff, nor have we worked with them to select the measures that stem from these CSFs. Once we have performed this, a magical alignment can occur between effort and effectiveness.

Key Tasks for Selecting Team-Level Performance Measures

The KPI team will need to incorporate these seven tasks within the work it performs in this step:

Task 1. Have teams complete pre-workshop worksheets. The worksheets in Chapter 4 should be completed by all teams involved in this process.

Task 2. Roll out training workshops to all teams. The KPI project team must provide training and assistance to all teams so that they are equipped to select their own performance measures that are consistent with the organization's CSFs. It is a good idea to bring a number of teams together at the same time, as they will learn from each other's different views. Some workshop groups have up to 80 attendees doing the team performance measures exercise. Each team is broken into a discussion group of 4 to 7 staff members. The workshop program is set out in Chapter 4.

Encourage a balance in team performance measures. If the CSFs are clearly defined and related to the six BSC perspectives (customer focus, financial performance, learning and growth, internal process, employee satisfaction, and environment/community), then team performance measures developed in this context generally will reflect the required balance.

Use the mind-mapping techniques set out in Chapter 4 during the brainstorming sessions (see Exhibit 3.13 for an example).

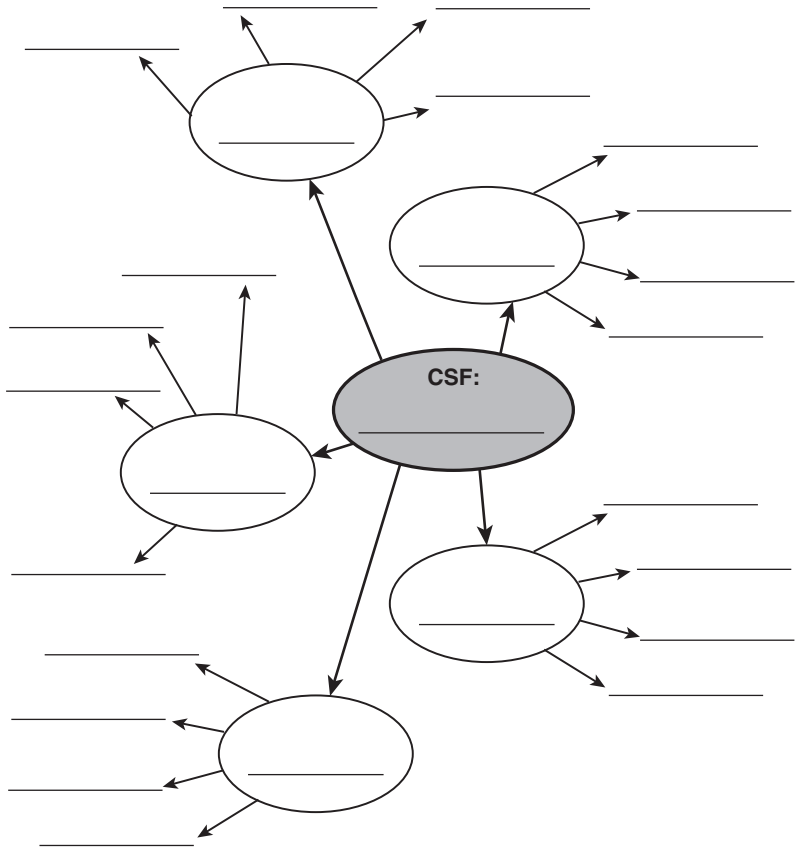


EXHIBIT 3.13 Mind-Map Worksheet Example

Shortcut: Merge the Team Performance Workshops with the Road Show in Step 5

This is the approach I now adopt with most in-house workshops I perform.

Benefits include:

- As most attendees will be the same, it saves having two disruptions to the same production, sales, and operations teams.
- Merging steps 5 and 8 together helps staff understand more about the purpose behind having a team scorecard.
- This method builds momentum for the project sooner, because teams can start working with their scorecard earlier.

Task 3. Promote an appropriate mix of past, current, and future-looking measures. Current measures are measured 24/7 or daily, and future measures are the record of a future date when an action is to take place (e.g., date of next meeting with key customer, date of next product launch, date of next social interaction with key customers). (See Exhibit 3.14.)

Key result indicators and *result indicators* will all be past measures, whereas *performance indicators* and *key performance indicators* are now categorized as either past, current, or future measures. You will find that most of the KPIs in your organization will fit into the *current or future categories.*

EXHIBIT 3.14 Taking a Past Measure and Restating as a Current and Future Measure

Past Measures (last week/2 weeks/ month/quarter)	Current (real-time/ today/yesterday) Measures	Future Measures (week/month/quarter)
Number of late planes this month	Late planes in the air over 2 hours late	Number of initiatives to be implemented this month to target areas that are causing late planes
Date of last visit by key customer	Cancellation of order by key customer (today)	Date of next visit to key customer
Sales last month in new products	Quality defects found today in new products	Number of improvements to new products to be implemented in next month, months 2 & 3

The previous debate about lag (outcome) and lead (performance driver) indicators is now dispensed with. As pointed out in Chapter 1, lag and lead indicators do not work and serve to confuse.

Task 4. Permit team performance measures to evolve. Virtually no team will achieve a perfect set of performance measures at its first or even its second attempt. Further, once a set of performance measures exists, individual indicators may need to vary as the team improves performance and then moves on to focus on other problem areas.

Task 5. Use Pareto's 80/20 rule when assessing how to calculate a measure. Encourage teams to be practical when assessing how to calculate their chosen performance measures. It is essential that the cost of gathering

the measure is not greater than the benefit derived from the measure. For many measures, staff should be encouraged to either use sample techniques (e.g., measure late invoices one week a month) or assessment techniques (e.g., estimate the number of coaching hours received last month). Pareto's 80/20 rule encourages us to measure in detail only the KPIs—e.g., the late planes' tracking system would have warranted a multimillion-dollar investment.

Task 6. Never lose sight of team ownership. Remember that the primary purpose of team performance measures is to assist and help the team to improve their performance. It follows that their performance measures represent what they want to collect in order to contribute to improvement in the identified CSFs. The KPI team needs to steer them gently if they are off course.

Task 7. A maximum of 25 performance measures for a team. As a guide, 25 is probably the upper limit of performance measures that a team should select for regular use. Any more than this number may lead to resource problems and a lack of focus. These performance measures will include some of the organization's KPIs. Some teams may have up to three organizational KPIs in their team scorecard. Many head-office teams will not have KPIs in their scorecard, as they are not relevant to them (e.g., the British Airway's Accounting team would not have a late plans measure).

Remember that the KPIs affect the entire organization. Thus, there are no KPIs specific to one team.

The checklist in Exhibit 3.15 can be used as an aid to the KPI project team, ensuring that important tasks are not overlooked. The KPI team, with the facilitator, should amend this checklist before use to suit the organization and desired approach.

EXHIBIT 3.15 Developing Team-Level Performance Measures Checklist

1. Have you incorporated performance measures detailed in this book?	☐ Yes ☐ No
2. Do all team members clearly understand the characteristics of KPIs?	☐ Yes ☐ No
3. Have teams been given sufficient time (during standard work hours) to explore their performance measures in a stimulating environment?	☐ Yes ☐ No
4. Are the CSFs clearly defined? (If not, delay until they are.)	☐ Yes ☐ No
5. Have all teams brainstormed their measures from relevant CSFs and SFs?	☐ Yes ☐ No
6. Are teams being practical about performance measurement? (Precision is required only with critical performance measures.)	☐ Yes ☐ No
7. Are all teams using the database to select their measures?	☐ Yes ☐ No
8. Have the employees been trained and encouraged to accept the delegated empowerment to fix issues when a KPI is off track? (FS)	☐ Yes ☐ No
9. Have teams checked back to ensure that they have covered all the relevant CSFs with performance measures? (FS)	☐ Yes ☐ No
10. Have teams restricted themselves to a maximum of 25 performance measures?	☐ Yes ☐ No
11. Have teams populated the database with their agreed performance measures? (This will help other teams and ensure greater consistency.)	☐ Yes ☐ No

FS = step that links to a foundation stone.

Benefits of This Step. Selecting team-level performance measures puts measures in place that:

- Clarify the teams' objectives.
- Align daily team work to the organization's strategic objectives.
- Improve job satisfaction (e.g., measures that increase the level of staff recognition).
- Increase job security as teams contribute more to the bottom line.
- Provide a basis for recognizing and celebrating team achievements.
- Provide a better understanding and link to the organization's strategies.

Step 9: Selecting Organizational Winning KPIs

Purpose

It is recommended that the selection of organizational KPIs be started after progress has been made at the team level (level 4 in Exhibit 3.12). The KPI team will have gained an insight into the organizational KPIs by working with teams. It is very much an iterative process, with findings being conveyed both up and down. Once levels 1 and 4 (in Exhibit 3.12) are in a semifinalized state, the backfilling of the divisional or departmental measures (levels 2 and 3) can take place. This process will ensure a cascading relationship of measures.

This approach reflects the goal of empowerment and will ensure team ownership of their performance measures. It will also ensure that as performance measures are introduced at other levels in the organization, they will be influenced by:

- The organizational CSFs
- The vital activities existing at the workplace that are creating success or failure

No matter how complex your organization—whether a public body, a hospital, or a diverse manufacturer—*team, department, and division performance measures should not be consolidated* to become the organization measures. Doing this creates chaos (e.g., some hospitals have over 200 measures at the organizational level).

It is crucial that all staff members fully understand KPIs (see Chapter 1). Remember, finding appropriate KPIs is very much like peeling the layers off an onion to get to the core. Although it is relatively easy to produce a reasonable list of performance indicators, it is difficult to identify the *key* performance indicators, particularly when it is remembered that there will be fewer than 10 in the entire organization.

Key Tasks for Selecting Organizational Winning KPIs

The KPI team will need to incorporate these five tasks within the work it performs in this step:

Task 1. Ensure that KRIs, RIs, PIs, and KPIs are balanced. The organization's KRIs, RIs, PIs, and KPIs should address all six BSC perspectives (customer focus, financial, learning and growth, internal process, employee satisfaction, and environment/community). The worksheet in Chapter 4 will assist with this process.

Task 2. Limit the organization-wide KPIs to no more than 10. There is no magic number, but few organizations will need more than 10 KPIs, and in fact many can operate successfully on fewer than 5 KPIs.

Task 3. Permit the KRIs, RIs, PIs, and KPIs to evolve. Virtually no KPI project team will achieve a perfect set of KRIs, RIs, PIs, and KPIs at its first or even its second attempt. Further, once a set of KPIs exists, information from the teams will shed light on enhancements to the KPIs.

Task 4. Ensure that all KPIs have most or all of the KPI characteristics. Ensure that all KPIs selected pass this checklist. See Chapter 4 for the layout for the form. The characteristics of a KPI are:

- Nonfinancial measures (e.g., not expressed in dollars, yen, euros, etc.)
- Measured frequently (e.g., 24/7, daily, or weekly)
- Acted on by CEO and senior management team
- Clearly indicate what action is required by staff (e.g., staff can understand the measures and know what to fix)
- Measures that ties responsibility down to a team
- Significant impact (e.g., it impacts most of the core CSFs and more than one BSC perspective)
- Encourage appropriate action (e.g., have been tested to ensure they have a positive impact on performance).

Task 5. Test all the KPIs in a pilot. Ensure that all KPIs create the desired behavioral outcomes.

The checklist in Exhibit 3.16 can be used as an aid to the KPI project team, ensuring that important tasks are not overlooked. The KPI team, with the facilitator, should amend this checklist before use to suit the organization and desired approach.

Benefits of This Step. Organizational winning KPIs are measures that will have a profound impact on the organization, stimulating timely action and linking day-to-day activities to the strategic objectives of the organization.

Step 10: Developing the Reporting Framework at All Levels

Purpose

The reporting framework must accommodate the requirements of different levels in the organization and the reporting

EXHIBIT 3.16 Selecting Organizational Winning KPIs Checklist

1. Do the organization-wide KRIs, RIs, PIs, and KPIs cover all BSC perspectives?	☐ Yes ☐ No
2. Are the organization-wide KRIs, RIs, PIs, and KPIs consistent with the current strategies?	☐ Yes ☐ No
3. Have the organization-wide KRIs, RIs, PIs, and KPIs been discussed with the relevant key stakeholders? (FS)	☐ Yes ☐ No
4. Have selected KPIs been limited to 10 or fewer?	☐ Yes ☐ No
5. Are the SMT and particularly the CEO still committed to champion the organizational KRIs, RIs, PIs, and KPIs?	☐ Yes ☐ No
6. Have all KPIs been included in all team performance measures where they are relevant?	☐ Yes ☐ No
7. Do KPIs make sense to the teams who should be using them?	☐ Yes ☐ No
8. Have you put every KPI through the KPI checklist?	☐ Yes ☐ No
9. Has the SMT given formal delegated authority to the relevant employees to fix issues affecting any KPI? (FS)	☐ Yes ☐ No
10. Have you checked that KPIs do not include KRIs, RIs, or PIs?	☐ Yes ☐ No
11. Have plans been put in place to build systems to report KPIs 24/7, daily, or weekly, as appropriate?	☐ Yes ☐ No

FS = step that links to a foundation stone.

frequency that supports timely decision making. A suggested framework for reporting performance measures is set out in Exhibit 3.17.

Most KPIs should be reported each day (electronically) at 9 A.M. or, as in the case of late planes, constantly updated 24 hours a day, 7 days a week.

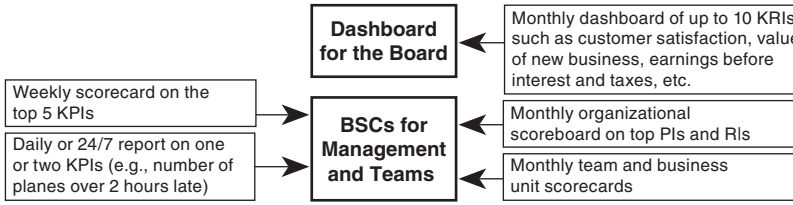


EXHIBIT 3.17 Suggested Reporting Framework

In most organizations, there will be another "top five" KPIs that will need to be reported at least weekly (excluding the daily KPIs already identified). One weekly measure that is important in most organizations is the reporting of late projects and late reports to the SMT. Such reports will revolutionize completion in your organization.

The remaining PIs can be reported monthly along with team, department, divisional, and organization-wide BSC reporting.

The board should receive only a one-page governance "dashboard" on the KRIs. These KRIs cover the well-being of the organization and are not PIs or KPIs. They should cover the 6 BSC perspectives; doing this may require tracking up to 10 KRIs. In any one month, only those KRIs that are telling the more important stories must be reported. It is desirable not to give the board the management BSCs because their role is one of governance, and giving them management information diverts them from their true role.

The reporting stage is open to procrastination, and thus it is important to ensure that the "just do it" attitude is operational. It is not uncommon to find teams spending considerable time debating which colors are the most appropriate in presentations to senior management. This should not be allowed to occur on the KPI project.

It is recommended that the SMT leave the design of the BSC template to the KPI team, trusting in their judgment. The SMT members should tell the KPI project team that they will be

happy to live with their sculpture knowing that they can always keep the plinth and recycle the bronze 6 to 12 months down the road. What you are looking for is a reporting framework that covers the measures in the six BSC perspectives. The key is to seek agreement that suggested modifications will be recorded and looked into at the end of the agreed review period. It will come as no surprise that many suggested modifications will not stand the test of time.

The reporting template examples shown in Chapter 5 are provided to stimulate ideas. These formats could serve as useful templates for the first six months of operation, leaving management and the KPI team to concentrate on the measures. Most measures should have their own trend graph, and the intranet is the ideal tool to hold these graphs. In addition, each team should have a performance notice board that is covered with trend graphs of its monthly measures.

The daily and weekly measures will be driven by systems, recorded and reported on the intranet, and available to all relevant staff. KPIs will affect many teams across the organization, and thus all KPIs should be available, via the intranet, to all staff. The more exposure that can be given to KPIs, the better the resulting ownership, understanding, and performance outcomes.

Getting Action to Happen in the Right Direction

If the CEO, members of the SMT, and management focus on the KPIs every day, staff will naturally follow suit. A CEO spending 30 minutes a day asking for explanations from managers and staff about a wayward KPI will soon create focus. It certainly will be recognized that receiving two phone calls from the CEO is not a good career move. In other words, the CEO should walk the talk and always know where the KPIs are heading at any point during a day. Thus, on out-of-office trips, the CEO

should be able to link into the intranet and obtain an update of the KPIs.

The system will have failed if the review process relies on structured, regular meetings at each level where KPIs are in operation. Remember, KPIs are indicators that need monitoring, reporting, and action 24/7.

Staff members may require training to help them understand the actions they can and need to take to correct wayward KPIs. Empowerment must take place to ensure that staff members have the resources and freedom to take action.

Key Tasks for Developing the Reporting Frameworks at All Levels

The KPI team will need to incorporate these three tasks within the work it performs in this step:

Task 1. Provide appropriate training on reporting. The project team should train the teams on how best to report their measures using a combination of the intranet, notice boards, and hard copy. They should also give training on how to complete these reports efficiently. KPI reporting should be almost instantaneous; once appropriate systems are in place, weekly and monthly reporting should also be quick routines. A team BSC should, as a guide, be no more than half a day's preparation and be delivered to the team by the close of the first working day of the new month. Late reporting has no place in performance measurement.

Staff members will need much help with maintaining a Pareto 80/20 view. There is no point spending a lot of time playing around with spreadsheets; that information will be too late to be of any use.

Use the report formats in Chapter 5.

Task 2. Establish a suite of meaningful graphs that are easy to understand. Although there is a vast array of graphical techniques for displaying KPI data, it is recommended that you follow these rules:

- *Be consistent.* It is recommended that graph standards are maintained for at least six months before updating.
- *Show trend analysis.* Show movement over at least the past 15 to 18 months if you have a seasonal business. Only year-to-date graphs should start off at the beginning of the year.
- *Show the range.* Show the acceptable range, which may be cascading over time, to indicate expected improvements.
- *Keep graphs simple.* Each graph should be clear even to an untrained eye (e.g., whereas waterfall, radar, and three-dimensional graphs might look nice, they can be misunderstood by staff and thus are rarely necessary). Graph formats are discussed in Chapter 4 and the reader should also access Stephen Few's work.[4]
- *Make them quick to update.* All graphs should be in a system that enables swift updating, and in some cases they should be automated to enable 24/7 analysis via the intranet. Graphs should not slow down the monthly management BSCs and the board dashboard reporting process, which should be completed by no later than day 3 post-month-end.
- *Make them accessible.* Key graphs should be accessible to all staff via the intranet.
- *Do not show a budget line.* A monthly or year-to-date budget line is an arbitrary apportionment of the annual plan number and is often done at the last minute.[5]

- *Show key turning points.* Insert notes on the graphs explaining major turning points.
- *Insert a title that is meaningful to the reader.* For example, a title like "Return on capital employed (ROCE) is moving up well" instead of just saying "ROCE."
- *Use color wisely.* It is a good idea to use a light-yellow background and to use color to highlight what is important.
- *Use gridlines.* Four or five light-gray gridlines will enable the reader to estimate the numbers, thus eliminating the clutter of numbers within the graph columns or rows.

See suggested graph layouts in Chapter 5.

Task 3. Develop a hierarchy of reports to staff, management, and the board. If KPI reporting is not available 24/7 and is not the focus of action and discussed at performance improvement meetings, attention will wane and the graphs will become symbols of frustration rather than the focus for continuous improvement.

The checklist in Exhibit 3.18 can be used as an aid to the KPI project team, ensuring that important tasks are not overlooked. The KPI team, with the facilitator, should amend this checklist before use to suit the organization and desired approach.

Benefits of This Step. A consistent reporting regime will be developed based around decision-based reporting techniques, which will not take up too much of management's time.

The reports will encourage empowered staff to undertake corrective action immediately on issues that are adversely affecting KPIs (e.g., in an airline, staff being empowered to increase the cleaning contractor's staff immediately to ensure a quicker turnaround of a late plane).

EXHIBIT 3.18 Developing the Reporting Frameworks at All Levels Checklist

1. Has the KPI team been given the delegated authority to finalize the reporting framework?	☐ Yes ☐ No
2. Have you based reporting around a decision-based process (e.g., avoiding the trap of large, late information memorandums that do not help the decision-making process)?	☐ Yes ☐ No
3. Have you accessed some better-practice reporting templates?	☐ Yes ☐ No
4. Have you developed separate reporting for the board (based around key result indicators)?	☐ Yes ☐ No
5. Have you developed a team BSC template that teams can complete easily using existing company systems?	☐ Yes ☐ No
6. Have you developed an organizational scorecard for the SMT?	☐ Yes ☐ No
7. Have you developed an organizational scorecard for staff?	☐ Yes ☐ No
8. Have you developed 24/7 and daily reporting of KPIs on the intranet?	☐ Yes ☐ No
9. Have you developed weekly reporting of KPIs on the intranet?	☐ Yes ☐ No
10. Is there a moratorium on changing reports and graphs for at least six months?	☐ Yes ☐ No
11. Have you established company graph standards that comply with better practice?	☐ Yes ☐ No
12. Have you marketed and supplied electronic templates of these graphical standards to all teams?	☐ Yes ☐ No
13. Are there notice boards where staff can see these measures in hard copy?	☐ Yes ☐ No
14. Can the relevant stakeholders access the KPIs that are relevant to them? (E.g., the union should be advised if "delivery in full, on time" is becoming an issue.) (FS)	☐ Yes ☐ No

FS = step that links to a foundation stone.

Step 11: Facilitating the Use of Winning KPIs

Purpose

Many organizations have performed good KPI work only to have it fail or become buried when key staff members move on. It is thus important that the use of KPIs becomes widespread in an organization and is incorporated into its culture.

The SMT's role is crucial. It is important that members of this team lead by example by using the KPIs at their disposal and seeking explanation immediately when any of the KPIs are trending in the wrong direction. Ideally, you are looking for an environment where management and staff expect a phone call from the SMT if a KPI was turning in the wrong direction. The staff and management will do everything in their power to avoid that situation.

In turn, the SMT must be committed to empowering staff to take immediate action (e.g., it is reported that Toyota has empowered staff on the shop floor to stop the production line if they find any defect in a car they are working on that cannot be fixed while the line is going).

Resources must be allocated so that continual education and communication can be maintained. Continual education and communication should not be the responsibility of just the KPI project team.

Key Tasks for Facilitating Use of KPIs

The KPI team will need to incorporate these six tasks within the work they perform in this step:

Task 1. Constantly reassure the SMT so that they are confident to empower the front line staff. It is essential that the SMT learn to relax their control and

empower their staff. Without staff empowerment, the effectiveness of KPIs is limited, as staff members respond to management direction rather than learning to become proactive themselves.

Task 2. Roll out a video road show for all staff. The video includes an introduction from the CEO and a presentation on the new thinking on key performance indicators by a skilled presenter from the project team. It is essential to explain to staff:

- How the chosen KPIs are to operate
- Who is to collect data and by when
- The systems to be used
- The monitoring and action to be taken by SMT
- The delegated empowerment that employees have to correct situations as they arise on a 24/7 basis.

This video is then followed by a workshop, which is set out in Chapter 4.

Task 3. Have relative performance measures that are compared against other organizations. Jeremy Hope and Robin Fraser, pioneers of the Beyond Budgeting methodology,[6] have pointed out how KPIs can easily end up in the trap of an annual fixed performance contract. In other words, if you set a target in the future, you will never know if it was appropriate, given the particular conditions of that time. You often end up paying incentives to management when in fact you have lost market share. In other words, your rising sales did not keep up with the growth rate in the marketplace.

Relative performance measures are an important addition to KPIs; for example, you may focus on all planes in the air that are flying more than two hours late 24/7, but, in addition, compare total late flights,

average turnaround times, number of missing passengers, and so forth, to other airlines. This could perhaps be carried out quarterly using a benchmarking company.

Another benefit of relative measures is that they do not need alteration (e.g., if being in the top quartile or 2% above the norm is the relative measure, then this benchmark does not need changing).

Task 4. Ensure that there are a mix of past, current, and future performance measures. Most measures across the world are past measures. In a bid to rectify this, the terms *lead indicators* and *lag indicators* were introduced. As mentioned in Chapter 1, these terms do not work for KPIs; for example, the "late-plane" KPI could be called a lag indicator because it reports past events, but while the plane is in the air and running late, it is about to create chaos for passengers, suppliers, and airline staff at the destination airport and therefore is also a lead indicator.

Task 5. Set KPIs as ranges, not a single target. An acceptable range is more beneficial than a fixed target, as a range takes into account the vagaries of the future and so is more tolerant of environmental change (e.g., a set of goalposts rather than a single thin post at the end of the playing field).

It is a good idea to show the acceptable range cascading up or down over time to indicate expected improvements; see Exhibit 3.19.

Task 6. Apply the 10/80/10 rule. Ensure that the final performance measures in use comply with the 10/80/10 rule:

- Maintain up to 10 key result indicators, with only 6 to 9 shown to the board at any one time.

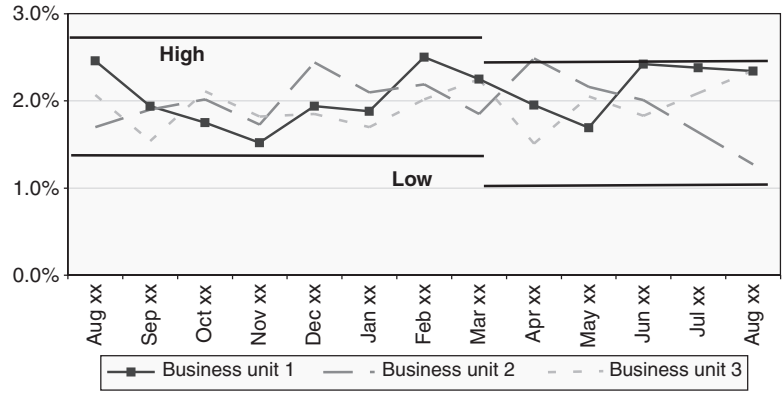


EXHIBIT 3.19 Ranging KPIs

- Up to 80 performance indicators and result indicators are sufficient for most organizations, especially when standard measures are used across all teams (e.g., a training-day's measure should be applied consistently with the same definition and graphical illustration across all teams).
- For many organizations, 10 KPIs will be more than adequate. Some may wish to extend to up to 20, but be careful—the more KPIs you use, the less focus you have.

The checklist in Exhibit 3.20 can be used as an aid to the KPI project team, ensuring that important tasks are not overlooked. The KPI team, with the facilitator, should amend this checklist before use to suit the organization and desired approach.

Benefits of This Step. The performance measures in your organization—the KRIs, RIs, PIs, and KPIs—are being applied properly and are given the opportunity to create the desired change.

EXHIBIT 3.20 Facilitating the Use of KPIs Checklist

1. Have current strategies been adequately conveyed to the teams?	☐ Yes ☐ No
2. Have all staff members who are to operate with a KPI attended a workshop covering what the KPIs are, how they operate, what delegated authority staff have, etc.?	☐ Yes ☐ No
3. Has the KPI rollout been undertaken in conjunction with all the stakeholders?	☐ Yes ☐ No
■ Management	☐ Yes ☐ No
■ Employee representatives	☐ Yes ☐ No
■ Key customers	☐ Yes ☐ No
■ Key suppliers	☐ Yes ☐ No
■ Unions	☐ Yes ☐ No
4. Are the SMT members actively supporting the empowerment of staff? (FS)	☐ Yes ☐ No
5. Are the senior management team monitoring the KPIs on a daily basis and following up shortfalls with relevant staff?	☐ Yes ☐ No
6. Have outdated performance measures been removed?	☐ Yes ☐ No
7. Have KPIs been set up with relative comparisons where relevant (e.g., comparisons to third parties)?	☐ Yes ☐ No
8. Have some KPIs been established as a range rather than a target?	☐ Yes ☐ No
9. Have you ensured that performance measures are a mix of past, current, and future measures?	☐ Yes ☐ No
10. Have you avoided the use of the terms *lead* and *lag indicators*?	☐ Yes ☐ No
11. Is the KPI team still together, albeit on a part-time basis?	☐ Yes ☐ No

EXHIBIT 3.20 (*Continued*)

12. Are you providing one-to-one training, where necessary, to ensure that staff members commit time to taking accurate measurements of performance, understand the reports, and are motivated to take action in the appropriate timeframes?	☐ Yes ☐ No
13. Is the KPI team giving ongoing help to teams that are using KRIs, RIs, PIs, and KPIs?	☐ Yes ☐ No
14. Is there a mixture of KRIs, RIs, PIs, and KPIs following the 10/80/10 rule?	☐ Yes ☐ No
15. Are the SMT and particularly the CEO focusing on the KPIs every day?	☐ Yes ☐ No
16. Is the SMT actively championing staff members who have correctly used their delegated authority to rectify a situation? (FS)	☐ Yes ☐ No

FS = step that links to a foundation stone.

Step 12: Refining KPIs to Maintain Their Relevance

Purpose

It is essential that the use and effectiveness of KPIs be maintained. Teams will modify and change some of their KRIs, RIs, PIs, and KPIs as priorities change during their journey of process improvement. It is simply a case of moving on to the next priority area for improvement, as the previous ones have been mastered and behavior alignment has been locked in. However, some KPIs should always be maintained because of their relevance to the organization-wide CSFs; for example, for an airline, the late-plane KPI always will be used. In addition, it is likely that KPIs relating to customer focus and workplace culture always will remain in place.

Teams also will need to amend and build new measures to respond to the emergence of new CSFs. The new CSFs will be identified during quarterly rolling planning phases.

Work groups should review and modify their own KRIs, RIs, PIs, and KPIs on a periodic basis, but certainly not more frequently than every six months.

Key Tasks for Refining KPIs to Maintain Their Relevance

The KPI team will need to incorporate these four tasks within the work it performs in this step:

Task 1. Review organization-wide CSFs at least annually. The environment in which firms operate is changing so rapidly that the requirements for survival and then prosperity can change markedly within a year. CSFs must be reviewed on a continuing planning cycle. As a better practice, it can be part of the quarterly rolling planning regimen. As part of this process, you will need to complete the worksheet in Chapter 4.

Task 2. Hold a one-day focus group revisiting the performance measures. The objectives of the workshop are to revisit the performance measures with a key group of staff and management and to learn from experience and enhance the value gained from using performance measures. A focus group needs to be selected from 15 to 30 experienced staff members from the business units, teams, area offices, and head office. The staff members should include the different roles from administrators to senior management team members.

On the day when the CSFs are revisited, any new CSFs will be brainstormed for new measures, and the

organizational measures will be reviewed for appropriateness and completeness.

Task 3. Maintain the stakeholder consultation. Ensure that consultations with stakeholders continue to be included in the performance review process. The stakeholders will provide feedback as to whether there needs to be improvement to strategies and CSFs.

Key suppliers should be consulted, as large operational efficiency can be achieved by vertical integration of systems. For example, one wood processor has online access to a major wood merchant's stock records. The wood processor is responsible for managing stock levels and delivering the timber. They send electronic invoices, trigger electronic payment, and update the wood merchant's stock system.

Task 4. Allow team performance measures to adapt. Maintaining the team's sense of ownership of performance measures is critical and will be achieved only if employees view performance measure information as valuable, useful, and worthwhile. As teams complete the process improvement cycle, KPI usefulness will be tested against new challenges to the team. Team performance measures must be adapted, as required, to maintain their relevance and use.

The checklist in Exhibit 3.21 can be used as an aid to the KPI project team, ensuring that important tasks are not overlooked. The KPI team, with the facilitator, should amend this checklist before use to suit the organization and the desired approach.

Benefits of This Step. The cycle of continuous improvement in the use of KRIs, RIs, PIs, and KPIs will be locked in place.

EXHIBIT 3.21 Refining KPIs to Maintain their Relevance Checklist

1. Have the CSFs been reviewed as part of the strategic planning cycle?	☐ Yes ☐ No
2. Are organization-wide KPIs reviewed during the strategic planning cycle?	☐ Yes ☐ No
3. Does each team review their KRIs, RIs, PIs, and KPIs at least annually?	☐ Yes ☐ No
4. Are key customers informed when relevant customer satisfaction and internal process performance measures are modified?	☐ Yes ☐ No
5. Are key suppliers informed when relevant internal process performance measures are modified?	☐ Yes ☐ No
6. Have measures been put in place covering any vertical integration of systems with key customers and key suppliers?	☐ Yes ☐ No
7. Is there active continuing education to further develop staff and management understanding of KPIs?	☐ Yes ☐ No
8. Have new staff and management, particularly new members of the SMT, been educated about the benefits of "winning KPIs"?	☐ Yes ☐ No
9. Have stakeholders been consulted on any changes to the balanced scorecards? (FS)	☐ Yes ☐ No
10. Has there been an adequate transfer of knowledge from "performance management" experts to staff who will be introducing the new performance measures? (FS)	☐ Yes ☐ No
11. Have all proposed changes to measures, reports, and delegated authorities been carefully thought through? (FS)	☐ Yes ☐ No
12. Have the CSFs been reworked to reflect all changes to the strategies? (FS)	☐ Yes ☐ No
13. Are KRIs, RIs, PIs, and KPIs evolving over time?	☐ Yes ☐ No
14. Are rigorous controls and checks in place to ensure that changes to PIs and KPIs are genuine improvements?	☐ Yes ☐ No

FS = step that links to a foundation stone.

Notes

1. "Key Performance Indicators Manual: A Practical Guide for the Best Practice Development, Implementation and Use of KPIs" (AusIndustries 1996); now out of print.
2. Robert S. Kaplan and David P. Norton, *The Balanced Scorecard: Translating Strategy into Action* (Boston: Harvard Business School Press, 1996).
3. Ibid.
4. Stephen Few, "Common Pitfalls in Dashboard Design," www.perceptualedge.com/articles/Whitepapers/Common-Pitfalls.pdf.
5. For additional information, see www.bettermanagement.com and look at the webcast by David Parmenter on "Quarterly Rolling Planning." Also visit www.waymark.co.nz.
6. Jeremy Hope and Robin Fraser, *Beyond Budgeting: How Managers Can Break Free from the Annual Performance Trap* (Boston: Harvard Business School Press, 2003).

CHAPTER 4

KPI Team Resource Kit

This chapter's key performance indicator (KPI) resource kit is a companion guide for the successful development and use of KPIs in your organization.

It is essential that you work through this part of the book after you have read the introduction to winning KPIs and have viewed the general principles for the successful development and use of KPIs in Chapters 1 and 2. Those chapters explain the philosophy and process of introducing KPIs based on the practical experience of organizations pursuing better practice in this area.

This chapter supports all the key tasks and implementation guidelines set out in Chapter 3. It is thus important that a sound understanding of Chapter 3 is achieved first.

Using This Resource Kit

This resource kit assists the implementation of the 12 major steps set out in Chapter 3. The resource kit assumes that you will play a significant role in facilitating team development of winning KPIs. The ideal way to use the resource kit is for the project team, the project team facilitator, managers, selected

employees, and union delegates to work jointly through the 12 steps.

Step 1 Worksheet: Senior Management Team Commitment

The questionnaire in Exhibit 4.1 is for the senior management team (SMT) to complete. It will help the project team gauge the level of understanding within the SMT. This information will be useful for marketing and educational initiatives directed at the SMT.

Half-Day Workshop for the SMT on Implementing KPIs—and Getting It Right the First Time

Workshop Objectives

- Ensure that SMT members are fully aware of what is required to implement performance measurement that works.
- Ensure that SMT members understand the required level of involvement, the necessity for speed, and the inherent hurdles performance measurement projects face.
- Convey the difference between the organization's current performance measurement practices and one that links day-to-day activities to the strategic objectives.

Requirements

- Entire SMT must attend.
- Prereading of KPI article, see www.davidparmenter.com.
- Workshop administrator to help coordinate attendees.
- One laptop, data show, screen, two electronic whiteboards, quiet workshop space away from the offices.

EXHIBIT 4.1 Senior Management Team Commitment Questionnaire

The successful introduction of key performance indicators requires SMT commitment. Your feedback is appreciated.

Comments are an especially helpful part of the feedback process. Please take time to make comments as specific as possible and include examples where appropriate.

Please return **no later than** _____ by e-mail to _____.

1. Have you worked with key performance indicators (KPIs) on a daily or weekly basis any time in the past?	☐ Yes ☐ No
2. Do you understand the differences among key result indicators (KRIs), result indicators (RIs), performance indicators (PIs), and KPIs?	☐ Yes ☐ No
3. Are you prepared to delegate authority to teams so that they can take immediate action if KPIs go off track?	☐ Yes ☐ No
4. Are you prepared to set aside at least two hours a week for the next 16 weeks for interviews, reading progress reports, making decisions, providing input as required, etc.?	☐ Yes ☐ No
5. Are there any major initiatives in the next 16 weeks that would limit your involvement?	☐ Yes ☐ No
6. Have you listened to the KPI webcasts by David Parmenter on www.bettermanagement.com?	☐ Yes ☐ No
7. Are you prepared to attend a half-day workshop to kick-start the KPI project?	☐ Yes ☐ No
8. Are you prepared to monitor on a daily basis (approximately 20 minutes a day) the eventual top five KPIs?	☐ Yes ☐ No

What are the three main ways the project team could help you maintain your commitment to this project?

Agenda

8:00 A.M. Introduction by chief executive officer (CEO).

8:10 A.M. The new thinking on KPIs:

- The difference between the four types of performance measures
- The characteristics of a winning KPI—two stories
- The 10/80/10 rule for performance measures
- Critical success factors (CSFs)
- Case studies
- Why so many performance measurement initiatives fail
- The difference between the organization's current performance measurement and the one proposed

9:00 A.M. **Commence workshop 1.** Working with list of success factors, rework them to reflect the current thinking of the SMT.

10:00 A.M. Break.

10:15 A.M. Perform a brainstorming of performance measures exercise on a selected success factor.

10:45 A.M. **Commence workshop 2.** In small groups, brainstorm some performance measures for the organization from some selected success factors.

11:15 A.M. Short presentation on the way forward.

12:00 Workshop ends.

One-Day Focus Group on Implementing Performance Measures—and Getting It Right the First Time

Objectives

- Ensure a key group of staff and management are fully aware of what is required to implement performance measurement that works.

- Fully understand the required level of involvement, the necessity for speed, and the inherent hurdles this project will face.

Requirements

- A focus group selected from 15 to 30 experienced staff members covering the business units, teams, area offices, and head office, and including the different roles from administrators to SMT members.
- Workshop administrator to help coordinate attendees.
- At least three laptops, data show, screen, three electronic whiteboards, quiet workshop space away from the offices.

Agenda

9:00 A.M. Introduction by CEO.

9:10 A.M. The new thinking on key performance indicators presentation:

- The difference between the four types of performance measures
- The characteristics of a winning KPI—two stories
- The 10/80/10 rule for performance measures
- CSFs
- Case studies
- Why so many performance measurement initiatives fail
- The difference between the organization's current performance measurement and the one proposed

All major budget holders are invited to join the focus group. Any SMT staff members who missed the SMT workshop should attend this session. They leave after this session.

10:00 A.M. **Commence workshop 1.** Revisit your organization's success factors (SFs). All work that has been already done in this area will be tabled to attendees (e.g., from a review of the past few years' strategic plans).

10:30 A.M. Break.

10:50 A.M. Groups give their feedback on the SFs.

During this discussion, two staff members update the success factors list and then either populate an A3 sheet of paper or a whiteboard with the finally agreed success factors. This has to be prepared before workshop 3 commences.

11:20 A.M. **Commence workshop 2.** Relationship mapping using an airline's success factors.

12:00 Lunch.

12:45 P.M. Demonstrate brainstorming of a success factor (an example of this is on www.bettermanagement.com).

1:15 P.M. **Commence workshop 3.** In different groups, brainstorm some performance measures, using a selection of the success factors from workshop 1, for a couple of selected teams. (This task will take a further 10- to 16-week period to finalize for all business units and teams.)

2:00 P.M. Feedback from groups.

2:20 P.M. Break.

2:40 P.M. **Commence workshop 4.** Design some key result indicators for the board. (This task will take a further 10- to 16-week period to finalize.)

3:40 P.M. Short presentation on the way forward—the implementation program.

4:20 P.M. In-house team complete workshop documentation on laptops (covering CSFs, some measures worth pursuing, the first draft of the next steps, resource requirements, etc.).

4:40 P.M. Focus group members state their opinion on whether to go forward, the key issues to address, and resources required to the SMT.

SMT members are invited to come back to hear the focus group.

5:00 P.M. Workshop ends.

Selecting a Facilitator

Due to the nature of the role, a facilitator needs to have certain experience and a detailed skill set. Exhibit 4.2 shows a checklist to send out to potential facilitators.

People who can answer yes to the first 5 questions and at least 10 of the remaining 15 questions would be worth interviewing and checking their references.

Progress Update Workshop for the SMT

Objective: Help maintain the interest of the SMT, gain valuable input, launch newly designed reports, and convey progress.

Requirements

- Entire SMT to attend
- Workshop administrator to help coordinate attendees
- One laptop, data show, screen, two electronic whiteboards, quiet workshop space away from the offices

Agenda

8:00 A.M. Introduction by CEO.

8:10 A.M. Progress update.

9:00 A.M. **Commence workshop 1.** Perform exercises that will further the project.

10:00 A.M. Next steps.

10:15 A.M. Morning break and closure speech by CEO.

EXHIBIT 4.2 Checklist for Selecting a Facilitator

1. Have read the *Key Performance Indicators* book by David Parmenter.	☐ Yes ☐ No
2. Have read *The Balanced Scorecard: Translating Strategy into Action* by Kaplan and Norton.	☐ Yes ☐ No
3. Have listened to the webcasts on www.bettermanagement.com.	☐ Yes ☐ No
4. Have delivered workshops to external audiences with over 30 attendees that have been rated good to very good.	☐ Yes ☐ No
5. Understand the difference among CSFs, KRIs, RIs, PIs, and KPIs.	☐ Yes ☐ No
6. Have worked in management positions in a decision-making role for over 5 years.	☐ Yes ☐ No
7. Have worked in a blue-chip organization with international connections.	☐ Yes ☐ No
8. Have worked in an international consultancy firm.	☐ Yes ☐ No
9. Over 35 years of age. (It is unlikely that anyone younger will have the desired mix of skills and experience.)	☐ Yes ☐ No
10. Have tertiary qualifications.	☐ Yes ☐ No
11. Have received training in delivering presentations.	☐ Yes ☐ No
12. Experience in reporting performance measures.	☐ Yes ☐ No
13. Have presented to senior management.	☐ Yes ☐ No
14. Experience with coaching in-house staff.	☐ Yes ☐ No
15. Excellent command of English and local language.	☐ Yes ☐ No
16. Good at storytelling.	☐ Yes ☐ No
17. Can think on your feet.	☐ Yes ☐ No
18. Calm under pressure.	☐ Yes ☐ No
19. Clear voice that is easy to understand.	☐ Yes ☐ No
20. Work confidently with technology (notebooks, data projector, etc.).	☐ Yes ☐ No

Step 2 Worksheet: Establishing a Winning KPI Team

The questionnaires in Exhibit 4.3 are to be completed by the proposed KPI team members and their peers and managers.

Training gaps that are highlighted will need to be addressed before the project gains too much momentum.

EXHIBIT 4.3 KPI Team Establishment Questionnaire

It is important that you answer these questions honestly so that any training gaps can be rectified quickly.

Comments are an especially helpful part of the feedback process. Please take time to make comments as specific as possible and include examples where appropriate.

Please return **no later than** _____ by e-mail to _____.

1. Have you ever worked with key performance indicators (KPIs) on a daily or weekly basis?	☐ Yes ☐ No
2. Do you understand the difference among critical success factors (CSFs), key result indicators (KRIs), result indicators (RIs), performance indicators (PIs), and KPIs?	☐ Yes ☐ No
3. Are you prepared to work full time on this project?	☐ Yes ☐ No
4. Are you prepared to set aside at least 16 weeks for interviews, site visits, liaison with facilitators and in-house coordinators, research, analysis, presenting findings, making recommendations, etc.?	☐ Yes ☐ No
5. Have you had experience with:	
■ Post-it sticker reengineering?	☐ Yes ☐ No
■ Problem solving?	☐ Yes ☐ No
■ Brainstorming?	☐ Yes ☐ No
■ Information display and charting?	☐ Yes ☐ No
■ Delivering presentations?	☐ Yes ☐ No
■ Interviewing?	☐ Yes ☐ No
■ Large implementation projects?	☐ Yes ☐ No
■ Project management?	☐ Yes ☐ No
■ Applications the project will use?	☐ Yes ☐ No

EXHIBIT 4.3 (*Continued*)

6. What is your skill base?	
■ Are you a self-starter?	☐ Yes ☐ No
■ Have you demonstrated innovation in the past?	☐ Yes ☐ No
■ Have you advanced communication skills?	☐ Yes ☐ No
■ Are you an "active" listener?	☐ Yes ☐ No
■ Do you have the ability to bring others on board?	☐ Yes ☐ No
■ Do you have a good track record in finishing projects you start?	☐ Yes ☐ No
■ Are you able to maintain a big-picture focus while working on a project?	☐ Yes ☐ No
■ Are you happy to work with the chosen facilitator?	☐ Yes ☐ No
■ Are you happy to work with the chosen team members?	☐ Yes ☐ No
■ Are you prepared to work overtime on this project to meet the timeframes?	☐ Yes ☐ No

What are the three main strengths you bring to this project team?

What are the three main skill and experience gaps you have that need to be addressed before commencing this project?

Winning KPI Team Establishment Questionnaire

A small, well-trained project team has the best chance of success. It is recommended that a team of two to four people be

chosen who collectively have a wide range of skills, including:

- Presentation
- Innovation
- Completion
- Knowledge of the organization and sector
- Communication
- Ability to bring others on board

Winning KPI Team 360-Degree Questionnaire

Obtaining a 360-degree feedback on the short-listed team members will be most valuable in assessing their strengths and weaknesses. This questionnaire (see Exhibit 4.4) should be completed by their manager and up to five of the peers with whom they work.

EXHIBIT 4.4 KPI Team 360-Degree Questionnaire

_____ has been short-listed for the team. It is important that you provide an unbiased response about _____'s experience and skills so that any training gaps can be rectified quickly.

Comments are an especially helpful part of the feedback process. Please take time to make comments as specific as possible and include examples where appropriate.

Please return **no later than** _____ by e-mail to _____.

1. Are you prepared to release _____ for at least 16 weeks for the project?	☐ Yes ☐ No
2. Has _____ demonstrated problem-solving skills?	☐ Yes ☐ No
3. Has _____ demonstrated brainstorming skills?	☐ Yes ☐ No
4. Is _____ good at writing clear and concise reports?	☐ Yes ☐ No

EXHIBIT 4.4 (*Continued*)

5. Is _____ good at delivering thought-provoking presentations?	☐ Yes ☐ No
6. Does _____ have good interviewing skills?	☐ Yes ☐ No
7. Has _____ demonstrated project management skills?	☐ Yes ☐ No
8. Is _____ a self-starter?	☐ Yes ☐ No
9. Has _____ demonstrated innovation in the past?	☐ Yes ☐ No
10. Does _____ have advanced communication skills?	☐ Yes ☐ No
11. Is _____ an "active" listener?	☐ Yes ☐ No
12. Does _____ have the ability to bring others on board?	☐ Yes ☐ No
13. Does _____ have a good track record in finishing projects s/he starts?	☐ Yes ☐ No
14. Is _____ able to maintain a big-picture focus while working on a project?	☐ Yes ☐ No
15. Does _____ work overtime to meet agreed timeframes?	☐ Yes ☐ No

What are the three main strengths _____ brings to this project team?

What are the three main skill and experience gaps _____ has that need to be addressed before commencing this project?

Step 3 Worksheet: Establish a "Just Do It" Culture and Process for This Project

This worksheet helps the team to do just that! The worksheet in Exhibit 4.5 should be completed by the project team.

EXHIBIT 4.5 Establish a "Just Do It" Culture and Process Worksheet

1. Where will the key performance indicator (KPI) development process start? Will KPIs be introduced as a common program in all teams, or will some teams pilot the process so that they can then be a leadership resource?	
■ All teams at once	☐ Yes ☐ No
■ Pilot teams to lead the process	☐ Yes ☐ No
2. If pilots are to be used, the following criteria may help decide which teams to select. Desirable requirements for a successful pilot of team performance measures (performance indicators [PIs] and KPIs) include:	
■ The pilot team(s) has been briefed and understands the organization-wide critical success factors (CSFs).	☐ Yes ☐ No
■ The pilot team(s) has been trained to use this KPI book and the performance measure database.	☐ Yes ☐ No
■ Pilot team members have already begun to exercise the authority that has been delegated to them.	☐ Yes ☐ No
■ Pilot team members have been in a workshop to understand performance measures.	☐ Yes ☐ No
■ The pilot team(s) can be easily supported by the KPI team.	☐ Yes ☐ No
■ Pilot team(s) has a natural leader and functions well under that leadership.	☐ Yes ☐ No
■ Management is happy to delegate decision making to the team to allow corrective action when a KPI is off track.	☐ Yes ☐ No

EXHIBIT 4.5 (*Continued*)

3. What is the timeframe for KPI introduction?	_____ Months
4. What level of resource support is available to support the introduction of performance measures into teams? _____ _____ _____ _____ _____ _____ _____	
5. What type of approval or validation process is to be used to ensure that team performance measures are aligned with organization-wide CSFs? ■ Teams are to work with all organizational CSFs. ■ Database to record the CSFs the teams have finally selected. _____ _____	☐ Yes ☐ No ☐ Yes ☐ No ☐ Yes ☐ No ☐ Yes ☐ No
6. Will an external facilitator (mentor) be available to help pilot teams develop their performance measures?	☐ Yes ☐ No
7. Will in-house facilitators be trained by the external facilitator to help?	☐ Yes ☐ No
8. Who has been identified to be trained as an in-house facilitator? Name Title Location/Business Unit _____ _____ _____ _____ _____ _____ _____	

EXHIBIT 4.5 (*Continued*)

What three internal processes support a "just do it" culture?

What are the main three barriers to a "just do it" culture?

Supporting Notes for Exhibit 4.5

- **Question 1.** Change does not occur at a uniform pace. Some will embrace the concepts of partnership and empowerment before others. Early results from these teams should be marketed to those who are progressing at a slower rate.

 At least three criteria can be applied to assist selection of priority areas to pilot the introduction of winning KPIs and associated performance measures:

 1. *Acceptability.* Launch KPIs first in those teams that the SMT members believe will be the most responsive to the concept and the process.
 2. *Urgency.* Launch KPIs in those teams that are responsible for key processes that require the most urgent performance improvement. Your key customers could help identify these areas.
 3. *Consistency.* Launch performance measures in teams that need performance information to complement change strategies already under way. These include:
 - Customer-first program teams
 - Process improvement teams
 - Benchmarking teams

- **Questions 2 to 5.** No notes required.
- **Question 6.** It is essential to use an external facilitator to bring alternative perspectives and expertise to both the winning KPI project team and the chosen pilots. Although the KPI project team, once trained, can offer assistance to the pilot teams, it is important to avoid the blind leading the blind.
- **Question 7.** The best in-house facilitators of the process are those team members displaying leadership within their team. In-house facilitators should be trained in KPI development, facilitation, training, and mentoring skills.

 In the spirit of partnership and empowerment, it may be appropriate to call for volunteers. This will depend on how successfully this method has been used in the past. When in doubt, use a targeted selection by management of the best-skilled facilitators, countering the resulting initial distrust with good communication and public relations.

Step 4 Worksheet: Setting Up a Holistic KPI Development Strategy

The worksheet in Exhibit 4.6 should be completed by the project team, having consulted widely with managers who have been with the organization for some time, and been reviewed by selected members of the senior management team. Some gaps may appear, and additional documentation may be required by the strategic planning team. It is important that the KPI team does not get sidetracked into developing or refining the strategy—they just need to identify the gaps.

Supporting Notes for Exhibit 4.6

- **Question 1.** If you answered "no"to the existence of vision and mission statements or a strategic plan, it is advisable for

EXHIBIT 4.6 Holistic KPI Development Strategy Worksheet

1. Have any of the following been developed for your organization?	
■ Vision statement	☐ Yes ☐ No
■ Mission statement	☐ Yes ☐ No
■ Strategic plan	☐ Yes ☐ No
■ Identifying key strategies for achieving the vision	☐ Yes ☐ No
■ Organizational values	☐ Yes ☐ No
2. To your knowledge, what are the major events or improvement programs that will impact on the next 12 months? (Please list.)	Could these events/programs compromise the KPI project?
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
3. Has your organization identified and agreed on a strategy for pursuing better practice?	☐ Yes ☐ No
4. Does a partnership between management, employees, and unions operate in relation to this strategy?	
■ Organizational strategy	☐ Yes ☐ No
■ Performance measurement	☐ Yes ☐ No
5. Taking into account all the change and improvement strategies in progress, can you answer "Yes" to the following statements?	
■ Senior management has already clarified, or is prepared to clarify, the critical success factors (CSFs) for the organization.	☐ Yes ☐ No

EXHIBIT 4.6 (*Continued*)

■ Management accepts its obligation to adopt a consultative approach to the pursuit of better practice and the introduction of KPIs.	☐ Yes ☐ No
■ Management is prepared to resource KPI development through training, provision of facilitators, and time off the job for project team and employees.	☐ Yes ☐ No

Are there any key strategic issues that the project team should be aware of?

a separate project team to address these elements. This team should communicate regularly with the KPI team. Although the development of strategic direction requires senior management involvement, consultation with employees and customers is highly beneficial.

If you answered yes to the existence of vision and mission statements or a strategic plan, you will need to obtain those documents and possibly approval for the release of the information contained in them to all the organization's employees. Any information that is deemed too sensitive for release due to market competition will need to be redrafted to allow communication to employees.

If you answered yes to the existence of a set of organizational values, you should review these to identify the behavioral standards your organization is promoting in relation to:

- Access to information
- Communication and consultation processes

- The introduction of change

 You must keep these behavioral standards in mind as you develop KPIs (following the 12 steps) to ensure that the process aligns with the organization's stated values.

- **Question 2.** Depending on your location and position in the organization, you may need to consult widely to develop this list. Most large organizations will have a number of change and improvement strategies under way or planned at any given time.

 Major events or already committed programs may require the deferral of the KPI project to a more convenient time.

- **Question 3.** For a change process to succeed, there needs to be a holistic strategy for achieving performance improvement that is developed, agreed to, and shared by management and its employees or their representatives.
- **Question 4.** Much of what follows relies on this partnership's being in place. If you cannot answer yes to question 4, some major wide-ranging consultation is recommended before KPI development is pursued.
- **Question 5.** You need three yes responses to be able to commence a change strategy, based on partnership, designed to achieve best practice. If you are unable to achieve three yes responses, it may be advisable to review the general principles in Chapter 1.

Step 5 Worksheet: Marketing the KPI System to All Employees

A formal staff briefing road show is to be rolled out to all staff to outline the changes associated with introducing KPIs into the organization. By the briefing's conclusion, all employees should at least believe that they need to do something differently, and

a core group should be clear about implementation issues and how performance measures will be used.

Before you can explain the concept, you need to ascertain the level of understanding among all staff. This is best achieved through a survey. It is important to survey the SMT, middle managers or supervisors, and employees and to record their responses to these questions.

Marketing KPIs to All Employees Questionnaire

With the help of the human resources team, make a selection of experienced staff covering all regions, levels of staff, and so forth. This sample should not be greater than 200, less than 30, or larger than 5% of total staff. Too large a sample will make data mining more difficult and seldom raise any new issues. (See Exhibit 4.7.)

Complete the worksheet in Exhibit 4.8 to ensure that all staff concerns have been addressed.

Supporting Notes for Exhibits 4.7 and 4.8

- **Employee questionnaire (Exhibit 4.7).** This questionnaire assesses current understanding of the purpose and use of performance information. Generally, the more no responses, the bigger the educational task ahead. The answer yes to the question "Existing performance information is thought to be used to allocate blame" provides insight into the current measurement culture.

 The responses to "What are the three main issues that should be addressed in initial employee briefings?" will highlight issues that will need to be raised during initial employee briefings. These may include:

 - **Why KPIs are being introduced.** Discuss the organization's current position, competitive/external pressures,

EXHIBIT 4.7 Employee Questionnaire

The comment fields are a useful part of the feedback process. Please take time to make comments as specific as possible and provide examples where appropriate.

Please return **no later than** _____ by e-mail to _____.

Please mark your response in the appropriate column. SMT = senior management team, MM&S = middle management and supervisors, S = staff.			
Existing performance information in the organization is:	**SMT**	**MM&S**	**S**
Well understood	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Easily obtainable	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Used to aid improvement	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Thought to be used to allocate blame	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Regarded as accurate/credible	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Regularly reviewed in a formal manner	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No

What do you think will be the three main issues of concern to employees with the introduction of KPIs?

What are the three main issues that should be addressed in initial employee briefings?

EXHIBIT 4.8 Identifying Employee Concerns about Performance Measurement Worksheet

1. For each concern identified, indicate how it is to be addressed. **Area of employee concern**	**How the concern is to be addressed**

2. How many employees need to be briefed about KPIs?	___ employees
What percentage of employees who need to be briefed have:	
• Limited levels of English-language comprehension?	____%
• A low level of literacy?	____%
• A low level of numeracy?	____%

3. How should these briefings be conducted?				
	Group 1	**Group 2**	**Group 3**	**Group 4**
Person giving the briefing				
Size of groups				
Time allocated				
Locations				
Proposed dates				

and future direction. Explain how KPIs assist in achieving the desired future direction.

- **How KPIs will be developed.** Stress the points at which employee involvement, training, and consultation will take place.
- **How KPIs will be used.** Emphasize team and work group use to achieve performance improvement.
- **What KPIs will *not* be used for.** Develop a list, addressing employee concerns, of what KPIs will not be used for (e.g., to reduce workforce size or discipline individuals).

- **Worksheet (Exhibit 4.8).** This worksheet addresses language, literacy, and numeracy issues in KPI briefings for employees.

 In the longer term, your organization may need to consider specific programs to address the language, literacy, and numeracy needs of its employees.

 If you have significant numbers of employees with difficulties with language, literacy, and numeracy, your initial briefing strategy (and your later KPI development process at the team level) will need to be tailored to meet their particular requirements.

 In the short term, there are two options to help overcome these potential barriers to KPI development and use:

 - **English-language barriers.** Generally, most non–English-language-speaking groups within an organization rely on those in their group with the highest level of English comprehension to act as translators. Therefore, to achieve effective understanding of the purpose and use of KPIs, you will need to direct briefings toward those bilingual employees. These employees then will need to receive assistance in briefing the employees in their language group.
 - **Literacy and numeracy barriers.** Reasonable comprehension can be achieved by all if groups are structured

so that employees with literacy and numeracy barriers are not grouped together. Additional time should be allocated in all briefing sessions for discussion in small groups to allow these employees to confirm their understanding.

Road Show for Staff—and Getting It Right First Time

Objectives

- Ensure that staff are fully aware of what is required to implement performance measurement that works.
- Fully understand the inherent hurdles this project will face from the staff's point of view.

Requirements

- Workshop administrator to help coordinate attendees
- At least three laptops, data show, screen, three electronic whiteboards, quiet workshop space away from the offices

Agenda

9:00 A.M. Introduction from local management.

9:10 A.M. Presentation by member of the SMT or a video is shown. The content would include:

- Introduction
- The new thinking on key performance indicators (KPIs) presentation, presented by a skilled presenter from the project team:
 - The difference between the four types of performance measures
 - The characteristics of a winning KPI—two stories
 - The 10/80/10 rule for performance measures
 - Critical success factors (CSFs) for the organization
 - Working through how to brainstorm performance measures

- Why so many BSCs fail
- The implementation program
- How these new performance measures will affect your day-to-day activities

9:50 A.M. Commence workshop 1, which will be facilitated by a trained business unit or team coordinator. Brainstorm as one large group the team performance measures in a critical success factor (pick one that will be relevant for most teams.)

10:10 A.M. Commence workshop 2. In small groups, brainstorm team performance measures, using the CSFs relevant to the teams. The teams are to come up with 15 to 25 measures. (This task will take a further 10- to 16-week period to finalize for all business units and teams.)

10:30 A.M. Break.

10:50 A.M. Recommence workshop 2.

11:20 A.M. Commence workshop 3. What are the hurdles this project needs to deal with, and what delegated authority needs to be put in place?

12:00 Feedback from groups. A common understanding is reached on the hurdles, and the best way around them, and what delegated authority needs to be given.

12:30 P.M. Lunch.

1:30 P.M. Recommence workshop 3. In small groups, brainstorm team performance measures, using the remaining CSFs and SFs relevant to the teams. The teams are to come up with 15 to 25 measures. (This task will take a further 10- to 16-week period to finalize for all business units and teams.)

2:30 P.M. Teams prepare a short presentation covering some of their measures (afternoon break taken during this session).

3:30 P.M. Teams present their scorecards. (Members of the SMT should be invited to attend this session.)

5:00 P.M. Close session.

Step 6 Worksheet: Identifying Organization-wide CSFs

The worksheets are included in Chapter 7.

Step 7 Worksheet: Comprehensive Recording of Measures within the Database

The project team should complete the worksheet in Exhibit 4.9 to ensure all required information is captured in the database.

EXHIBIT 4.9 Ensure Comprehensive Recording Performance Measures Worksheet

Check that there is a field in the database for each of the following:	
■ Name of performance measure	☐ Yes ☐ No
■ Type of performance measure, key results indicator (KRI), result indicator (RI), performance indicator (PI), key performance indicator (KPI)	☐ Yes ☐ No
■ Person responsible	☐ Yes ☐ No
■ System in which data is going to be gathered	☐ Yes ☐ No
■ Balanced scorecard (BSC) perspective(s)	☐ Yes ☐ No
■ Time zone (Past, current, future)	☐ Yes ☐ No
■ Frequency of measurement (24/7, daily, weekly, monthly)	☐ Yes ☐ No
■ Link to critical success factors (CSFs) success factors (SFs)	☐ Yes ☐ No
■ Teams interested in using measure	☐ Yes ☐ No
■ Suggested performance target	☐ Yes ☐ No

Step 8 Worksheet: Selecting Team Performance Measures

This step contains two discrete activities, which should be performed in a workshop led by the project team or by an external facilitator. These activities are:

Activity 1. Gaining an effective understanding of the organization's CSFs.

Activity 2. Selecting team performance measures and confirming their suitability for collection and use.

These team members should be supported either by members of the KPI team or by the external facilitator. It is important that the facilitator is skilled at running workshops.

The worksheet in Exhibits 4.10 should be completed by the members of teams who are looking at their performance measures as a part of this project. Exhibit 4.11 provides the worksheet for selecting team performances and confirming suitability.

To determine whether a particular performance measure is worth collecting, the team should consider:

- Time spent on collection, collation, and analysis compared to the value of results obtained from this information
- Level of data accuracy (Can we achieve consistent accuracy? Will the team make decisions based on this information?)
- Timeliness of the data (Will information become available in sufficient time to allow appropriate action?)

You will need to hold team balanced scorecard workshops; some workshop exercises are provided in Exhibit 4.12.

EXHIBIT 4.10 Activity 1 Worksheet: Gaining an Effective Understanding of the Organization's CSFs

1. What do we mean by critical success factors (CSFs)? Think about your own personal health and well-being. What are the major factors that determine how long we live and the physical quality of life we enjoy (e.g., condition of heart, condition of lungs)?

2. In the same way, the CSFs for our organization are about the things that determine its health and long-term survival. Here are our organization's CSFs and which perspective they affect.

Critical Success Factor	Financial	Customer Satisfaction	Staff Satisfaction	Learning and Growth	Internal Process	Environment/Community
E.g., timely arrival and departure of planes	✓	✓	✓	✓	✓	Possible
E.g., delivery in full and on time	✓	✓	Possible	✓	✓	
1.		✓			✓	✓
2.	✓					
3.						
4.						
5.						
6.						
7.						
8.						

Discuss these CSFs and consider why they affect your organization's health.

3. Can you see why each CSF was selected?	❑ Yes ❑ No

4. In your opinion, why do we need performance measures?

5. Think about your personal health again. If there are a few CSFs that determine our health, how would we measure these?	
CSF	**Measure**
E.g., condition of heart	E.g., Blood pressure measured daily, cholesterol test every three months, chart of cholesterol results over Past three years
E.g., condition of lungs	E.g., Lung test every year, how many exercise sessions are planned this week, how many achieved this week so far?

6. Does measuring these critical factors help us to manage our personal health?	❑ Yes ❑ No

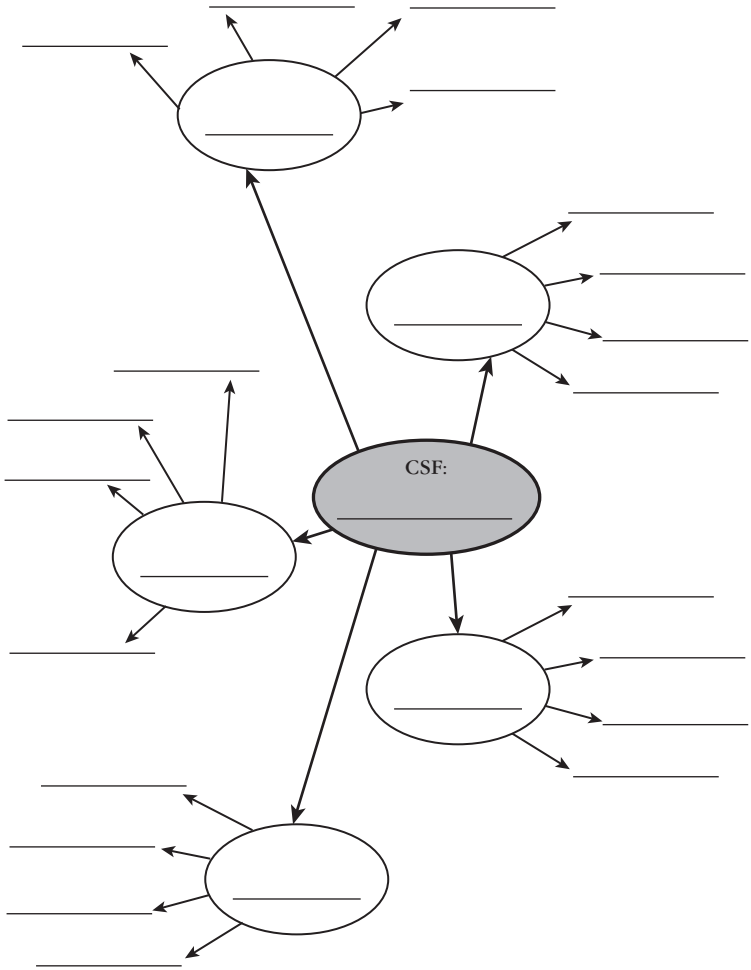
EXHIBIT 4.10 *(Continued)*

7. Do you have any additional questions about CSFs and performance measures?
Question

8. How can the project team help your team develop their performance measures?	

EXHIBIT 4.11 Activity 2 Worksheet: Selecting Team Performances and Measures and Confirming Suitability

1. For each critical success factor (CSF) listed, develop some performance measures for your team using this worksheet. The measures from the brainstorming sessions should be recorded immediately into the performance measures database.



(*Continued*)

EXHIBIT 4.11 (*Continued*)

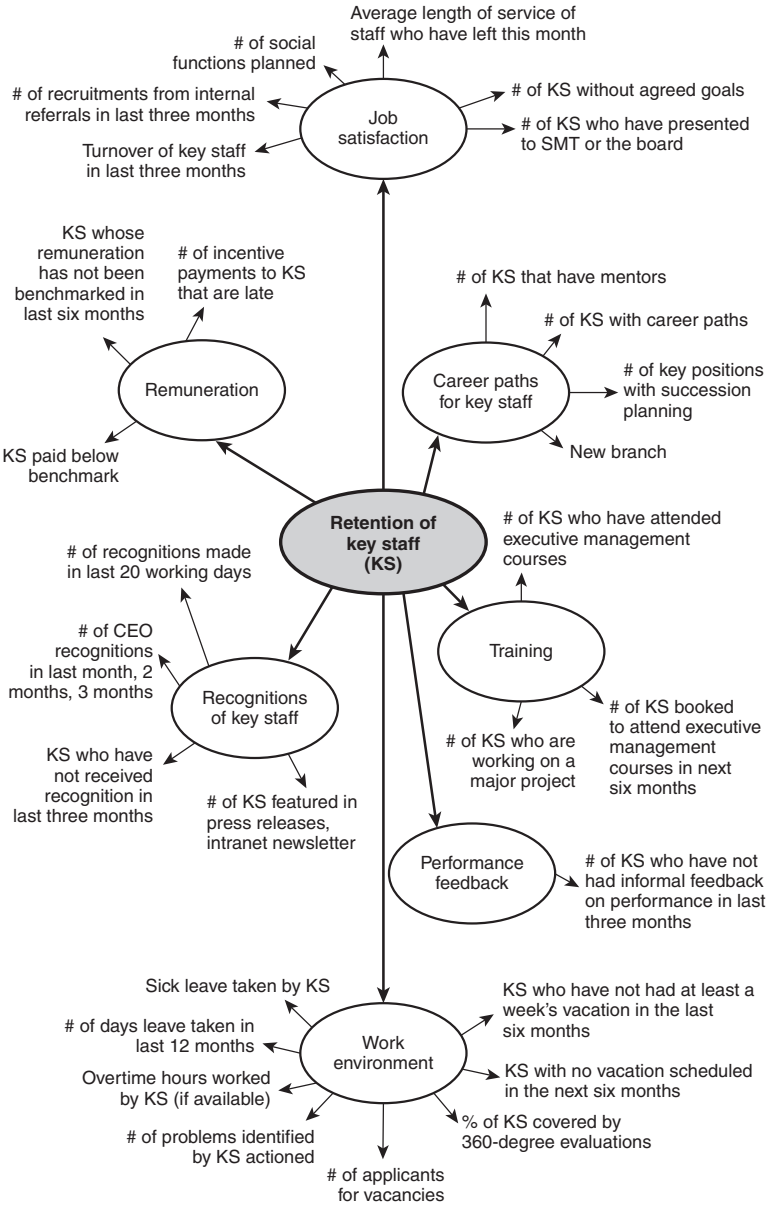


EXHIBIT 4.11 (*Continued*)

For each brainstorming session on a critical success factor (CSF), list the proposed performance measures on this worksheet. The brainstorming sessions should be performed on flip charts.

2. Confirming availability of information. For each performance measure, answer the following:		
Possible performance measure	Who collects it and how frequently?	Is it cost effective to collect?
		☐ Yes ☐ No
		☐ Yes ☐ No
		☐ Yes ☐ No
		☐ Yes ☐ No
		☐ Yes ☐ No
		☐ Yes ☐ No
		☐ Yes ☐ No
		☐ Yes ☐ No

3. If the information required is not already available, could it be developed, and if so, is it worth the effort?	
Possible performance measure where data is not available (from Step 2)	How would it be collected?

EXHIBIT 4.12 Team Balanced Scorecards Workshop Exercises

Workshop 1: Brainstorm performance measures for the top five-to-eight CSFs that have been identified

Learning Outcome: Ascertain the five to eight CSFs that are relevant to xxxxx

Steps	Time
1. Select a chairperson—their role is to ensure everybody understands the outcome, understands the instructions, has an opportunity to contribute.	5 minutes
2. Select the CSFs that are relevant to your team.	5 minutes
3. Brainstorm the selected CSFs, check to see that you have a balance of past, current and future measures. One person should record the measures on the existing team scorecard template and save in a specified area on the hard drive.	60 minutes (split over two sessions)
4. Select some other relevant SFs and brainstorm them.	30 minutes
5. Each work group reports back on two or three measures, stating how it is to be measured, what type of measure it is, how the measure has been fine tuned (please do not discuss measures already covered by other teams).	3–5 minutes for each group

Workshop 2: Completing the team performance scorecards

Learning Outcome: Refining your likely team performance measures

Steps	Time
1. Use same chairperson from workshop 1.	
2. Working in teams, fill out the team scorecard template referring to all the measures from workshop 1.	1 hour
3. Check back against the six BSC perspectives for any missing measures.	20 minutes
4. Each group reports back on their measures; discuss only those that have already been raised.	5 minutes for each group

EXHIBIT 4.12 (*Continued*)

Workshop 3: Reviewing performance indicators checklist for other measures

Learning Outcome: Refine your team scorecard

Steps	Time
1. Working by yourself, review the measures we have discussed and fine-tune your scorecard.	10 minutes
2. Clean your scorecard; take care in removing rows!	10 minutes
3. Present your scorecard to the group, covering the measures that have not already been discussed.	5 minutes for each scorecard

Step 9 Worksheet: Selecting Organization-wide Winning KPIs

The worksheet in Exhibit 4.13 should be completed by the KPI project team.

EXHIBIT 4.13 **Selecting Organization-wide Winning KPIs Worksheet**

1. Have up to 10 KPIs been identified (fewer is better than more)?	☐ Yes ☐ No
2. Have all KPIs been linked to strategy?	☐ Yes ☐ No
3. Have all KPIs been included in team performance measures?	☐ Yes ☐ No
4. Are all KPIs understood by all team members?	☐ Yes ☐ No
5. Have you run all KPIs through the KPI checklist?	☐ Yes ☐ No
6. Have checks been made to ensure that KPIs do not include KRIs, RIs, or PIs?	☐ Yes ☐ No
7. Have simple systems been established to report movement in KPIs as they occur?	☐ Yes ☐ No
8. Have all perspectives been covered by the KPIs?	☐ Yes ☐ No

(*Continued*)

EXHIBIT 4.13 (*Continued*)

KPI Checklist									
	Insert KPI name at the top of each column								
KPI checklist of characteristics									
Nonfinancial measures (not expressed in dollars, yen, pounds, euros, etc.)									
Measured frequently (e.g., 24/7, daily, or weekly)									
Acted on by CEO and senior management team									
All staff understand the measure and what corrective action is required									
Responsibility can be tied to a team									
Significant impact (e.g., affects one or more of the critical success factors [CSFs] and more than one balanced scorecard perspective)									
They encourage appropriate action (e.g., Has a positive impact)									

EXHIBIT 4.14 **Designing a Dashboard for the Board with KRIs Worksheet**

Learning Outcome: Develop a performance measure report for the board

Steps	Time
1. Select the chairperson, whose role is to ensure that everyone understands the outcome, understands the instructions, and has an opportunity to contribute.	
2. Review the output from the earlier focus group workshops.	15 minutes
3. Working with the CSFs you have already brainstormed for measures, discuss the likely KRIs that best summarize progress within these CSFs.	30 minutes
4. Design a graph for each KRI you have come up with. *One person* in each work group is to draw the graphs carefully, as these will be photocopied and viewed by other groups.	20 minutes
5. Each group reports back on its suggested graphs (once photocopies have been returned.)	5 minutes for each group

In order to finalize the KRIs to be reported to the board, you will need to hold a workshop with some members of the original focus group. See the workshop outline in Exhibit 4.14.

Step 10 Worksheet: Developing Display, Reporting, and Review Frameworks at All Levels

The project team should complete the Step 10 Worksheet to ensure that measures are reported using appropriate templates (see Exhibits 4.15 and 4.16). An example of a completed team scorecard is set out in Exhibit 4.15.

Exhibit 4.16 presents the worksheet for setting team goals. This worksheet should be completed by each team.

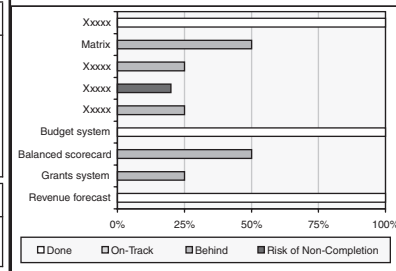
Xxxxx
Balanced scorecard for the Finance function
As at 31 March xx

Customer focus

Customer focused initiatives	This month	Target
Accounting system downtime (8am - 6pm)	30 mins	<60 mins
Last update of intranet page	8/1/2001	weekly
Service requests outstanding	24	15
Service requests closed in month	8 (40%)	60%
Program visits to budget holders	4	6
Policies and procedures updated on the intranet	0	1
Initiatives underway based on satisfaction survey	2	4

Usage of G/L by management	This month	Target
Managers accessing the G/L (#)	2	10
Managers accessing the G/L (time)	30 mins	2 hours
Suppliers on accounts payable ledger	600	400

Project status



Internal Process

Efficiency measures	This month	Target
report to budget holders	2	By day 2
report to Xxxxx	5	By day 5
Finance report to Xxxxx	10	By day 10
% of payments made by direct credit	80%	>75%
# of strategic supply relationships	1	4
# of accounts paid late	12	<20
# of customer calls in test week	15	<20
% of invoices issued on time	90%	99%
Projects completed on time on budget	44%	80%

Completions	Current	Target
Projects in progress	7	<8
Reports/documents still in draft mode	10	<5

Learning & Growth

Training needs outstanding	This month	YTD
CFO	0	2
Finance	0	5
Mngt Accounting	0	3
Accounts payable team	0	2
Accounts receiveable team	1	2
Average for all accounting staff	**<0.2**	**2.5**

Coaching sessions	current	target
Number of staff who have had one-on-one coaching sessions	0	4

Performance reviews	current	target
Staff members l7who have had 2 performance reviews in the last year	10	23

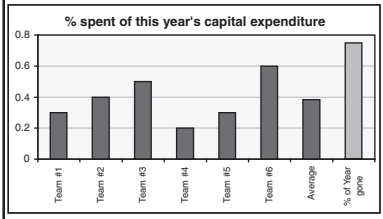
Environment and community

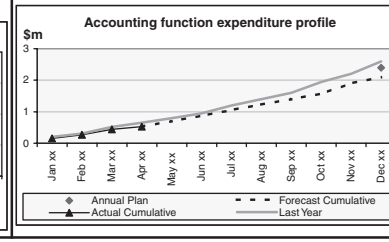
	Current	Target
Presentations given to local professional Bodies	1	>3 in year
Number of Finance staff involved in community activities	10	>15

Finance team satisfaction

	current	target
No. of formal staff recognitions made in the month	1	>2
Staff functions planned for in next three months	0	>2

Financial





Findings:
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Action to be taken:
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EXHIBIT 4.15 Team Scorecard

EXHIBIT 4.16 Team Worksheet for Completion

1. Where will results of performance measures be displayed each week?	
Options include:	
■ Team notice board	☐ Yes ☐ No
■ Team meeting room	☐ Yes ☐ No
■ Canteen/eating areas	☐ Yes ☐ No
■ Team intranet page	☐ Yes ☐ No
■ Other (company newsletter)	☐ Yes ☐ No
2. When will team/division/department/area performance measures be reviewed?	
3. If there are key performance indicators (KPIs) in your area of influence, what immediate action should be taken to correct KPIs that are off target?	
KPIs	Action staff should take immediately (already have delegated authority)
For business unit and organization scorecards, look at the report format section.	

For each performance measure, a team should select a target for a month or for the next 6 or 12 months. Use any knowledge gained about better practice in your company or industry. Where a benchmark performance level can be established, use it.

Set some targets as a relative measure (e.g., 5% better than the average for the benchmark group). This ensures a stretch target as the team will never know how well the other teams are doing until after the event. When goals are achieved, the

team should celebrate its success and inform management, other teams, and customers.

Step 11 Worksheet: Facilitating the Use of KPIs

The road show, as outlined in Chapter 3, is best run by a local facilitator who has been trained by the KPI team. A local facilitator who has working knowledge of the teams attending so in most cases it would be an in-house staff member.

The use of a video is important because the CEO will not be able to get to all units in the required time. It is important that the video includes a very professional done presentation from the KPI team. It get a really good recording this 20–30 portion would need to be practiced and recorded between ten to fifteen times. It is important that Public Relations experts have briefed the presenters so that they sell the change based around the emotional drivers. See Exhibit 4.17 for an outline for a video road show.

In addition, there is a need to assess the training needs of the staff. The worksheet in Exhibit 4.18 will assist the project team to assess these training needs. By this stage, these items should have been completed:

- Team performance measures
- KPI reporting frameworks
- KPI display areas

Step 12 Worksheet: Refining KPIs to Maintain Their Relevance

A review mechanism must be established to ensure continual improvement. Greater understanding of performance measures leads to refinement in KPI measurement. It is important that performance improvements are logged as they develop.

EXHIBIT 4.17 Video Road Show for Staff—Getting to Know the KPIs

Objectives

- Ensure that all operational staff members who are to operate with the KPIs are aware of who is to collect data and by when, the systems to be used, the monitoring and action to be taken by SMT, and the delegated empowerment that employees have to correct situations as they rise on a 24/7 basis

Requirements

- Workshop administrator to help coordinate attendees
- At least three laptops, data show, screen, three electronic whiteboards, quiet workshop space away from the offices

9:00 A.M. Introduction by local senior manager

9:10 A.M. Show the video:

- Introduction by CEO
- The new thinking on key performance indicators presentation (*a recording of a presentation by a skilled presenter from the project team*):
 - The critical success factors for the organization
 - Selling the benefits through the emotional drivers
 - How the KPIs are to be collected and reported
 - Example of expected correction action that employees will be expected to take
 - The importance to the organization
- Closing motivational statement by CEO

10:00 A.M. **Commence workshop.** Brainstorm in groups of five to seven, from different teams, the fail-safe procedures that will need to be adopted to ensure these KPIs are kept in the acceptable ranges. Also discuss the required delegated authority to ensure immediate corrective action can be taken by staff.

10:30 A.M. Break.

10:50 A.M. **Recommence workshop.**

11:20 A.M. Feedback from groups and a common understanding is reached on the delegated authority and what expected actions are to take place.

12:00 Conclusion and lunch.

EXHIBIT 4.18 Assessment of Training Needs Worksheet

Do training and appraisal processes need to be introduced for middle management to ensure they participate in a better practice approach to performance improvement?	☐ Yes ☐ No
Should reward options be introduced to encourage employee participation in performance improvement activities using KPIs?	☐ Yes ☐ No
If yes, list potential options for the senior management team (SMT) to consider.	
Options	**Is the Human Resources (HR) team supportive?**
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No
	☐ Yes ☐ No

However, changes should be made only when the whole process is reviewed at about the 6- or 12-month mark.

It is important that KPIs are not revised in fewer than six months of operation to avoid a constantly changing environment (which hinders measurement). The review of CSFs and

resultant modification should be done with the same level of consultation as the original development process.

The worksheet in Exhibit 4.19 should be completed by the project team to ensure that all KPIs remain relevant.

EXHIBIT 4.19 Refining KPIs to Maintain Their Relevance

	Months		
1. Selecting an appropriate review timeframe:	6	12	18
■ Key performance indicators (KPIs)	☐	☐	☐
■ Organization-wide performance indicators (PIs)	☐	☐	☐
■ Division PIs & result indicators (RIs)	☐	☐	☐
■ Team PIs & RIs	☐	☐	☐
■ Key result indicators (KRIs)	☐	☐	☐
2. Since critical success factors (CSFs) were established, what major changes have occurred in markets and the external environment within which your organization operates?			
3. Do any of these changes:			
■ Reduce the significance of current CSFs?	☐ Yes	☐ No	
■ Suggest the need to modify or create new CSFs?	☐ Yes	☐ No	
■ Require change to organization-wide KPIs as a result?	☐ Yes	☐ No	
4. How will new CSFs be communicated to all levels of the organization?			

(*Continued*)

EXHIBIT 4.19 (*Continued*)

5. For each KPI and KRI, indicate the level of change achieved in performance over the past six months:		
Performance measure	**Performance six months ago**	**Current performance**
6. Has improvement in any team performance measures reached the maximum possible level given current circumstances?		☐ Yes ☐ No
7. If yes, are your customers satisfied with the performance level now being achieved?		☐ Yes ☐ No
8. If yes, what are the risks associated with replacing these performance measures with other, new indicators?		
Current performance measure	**Risks if replaced**	
9. If there are no serious risks, what new performance measure could be introduced?		

In addition, the project team will need to hold some workshops. Exhibits 4.20 and 4.21 provide outlines of these workshops.

EXHIBIT 4.20 One-Day Focus Group Revisiting the Performance Measures

Objectives

- Revisit the performance measures with a key group of staff and management.
- Learn from experience and enhance the value gained from using performance measures.

Requirements

- A focus group selected from 15 to 30 experienced staff members covering the business units, teams, area offices, and head office, and covering the different roles from administrators to senior management team members
- Workshop administrator to help coordinate attendees
- At least three laptops, data show, screen, three electronic whiteboards, quiet workshop space away from the offices

9:00 A.M. Introduction by CEO

9:10 A.M. The current status of performance measurement in the organization:

- The success stories
- What has not worked so well
- The lessons learned
- The current issues
- The new technological solutions available

10:00 A.M. **Commence workshop 1.** Revisit the critical success factors (CSFs) of the organization to see if they are still relevant and whether any new ones should be included.

10:30 A.M. Break.

10:50 A.M. **Commence workshop 2.** Perform relationship mapping on any new success factors to see if their impact warrants them being added to the CSFs.

(*Continued*)

EXHIBIT 4.20 (*Continued*)

11:20 A.M. Commence workshop 3. Redesign the KRIs for the board.
12:00 Lunch.
12:45 P.M. Commence workshop 4. Brainstorm performance measures for any new CSFs.
2:00 P.M. Workshop ends.

EXHIBIT 4.21 Team Performance Measures Workshop Exercises

After a suitable timeframe (no sooner than six months), each team should hold a two-hour workshop to revisit the measures.

Revisiting team performance measures workshop

Learning Outcome: Refine your likely performance measures

Steps	Time
1. Select a chairperson, whose role is to ensure that everyone understands the outcome, understands the instructions, and has an opportunity to contribute.	
2. Brainstorm, using mind-maps, new measures in any new CSFs that have arisen from the one day focus group. One person should record the measures on the existing team scorecard template and save in a specified area on the hard drive.	60 minutes (split over two sessions)
3. Check back against the six BSC perspectives for any additional measures.	15 minutes
4. Each group reports back on their measures; discuss only those that have already been raised.	3–5 minutes for each group

Two-Hour Team Workshop to Revisit Team Scorecard

Objectives

- Revisit the performance measures.
- Learn from experience and enhance the value gained from using performance measures.

Requirements

- One laptop, data show, screen, quiet workshop space away from the offices.

Agenda

9:00 A.M. Introduction from team leader.

9:10 A.M. The current status of the team scorecard:

- Which measures have worked
- Which measures have not worked so well
- New CSFs or SFs that should be brainstormed

9:40 A.M. **Commence workshop.** Brainstorming performance measures for all new critical success factors (see Exhibit 4.21).

10:40 A.M. Finalize new team scorecard.

11.00 A.M. Finish workshop with morning coffee.

CHAPTER 5

Templates for Reporting Performance Measures

The reporting framework must accommodate the requirements of different levels in the organization and the reporting frequency that supports timely decision making. This chapter presents some better-practice formats that will help speed up this vital step.

This chapter should be read in conjunction with the whitepapers and books written by Stephen Few, see www.perpetualedge.com.

Reporting Key Result Indicators in a Dashboard to the Board

A dashboard should be a one-page display, such as the examples in Exhibits 5.1 and 5.2. The commentary should be included on this page.

A good dashboard with the key result indicators (KRIs) going in the right direction will give the board confidence that management knows what it is doing and that the ship is being steered in the right direction. The board can then concentrate on what it does best: focusing on the horizon for icebergs in the first-class lounge instead of parking themselves on the ship's

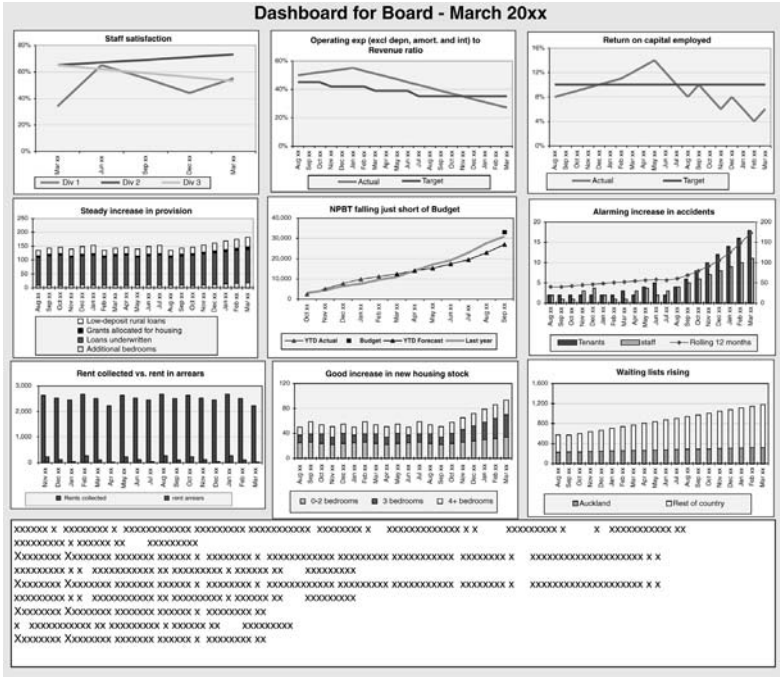


EXHIBIT 5.1 Nine-Graph Dashboard Example

bridge and getting in the way of the captain, who is trying to perform the important day-to-day duties. Ten examples of KRI board dashboard graphs can be found in Exhibit 5.3.

Customer Satisfaction

Customer satisfaction needs to be measured at least every three months by using statistical samples and focusing on your top 10% to 20% of customers (the ones that are generating most if not all of your bottom line). This process does not need to be overly expensive. If you think once a year is adequate for customer satisfaction, stick to running a sports club; you are not safe in the public or private sectors.

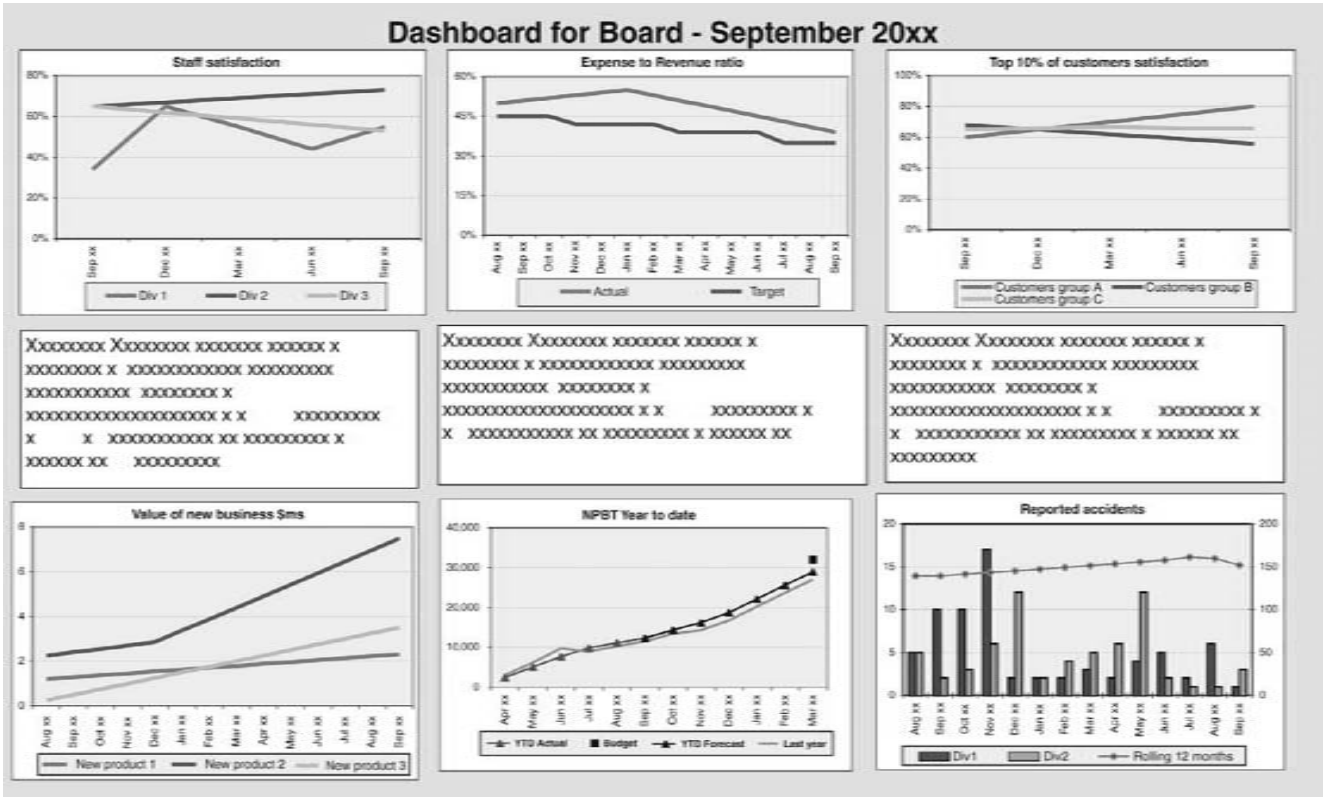


EXHIBIT 5.2 Six-Graph Dashboard Example

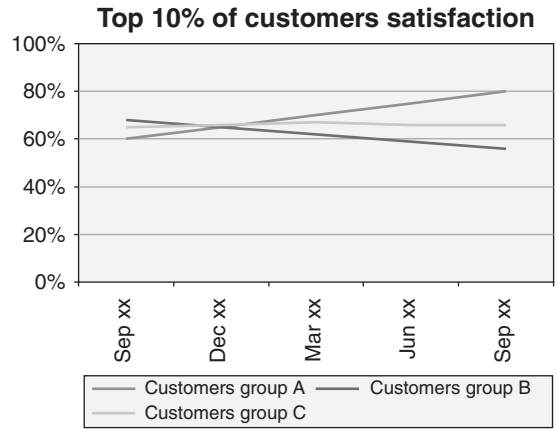


EXHIBIT 5.3 KRIs for a Board Dashboard

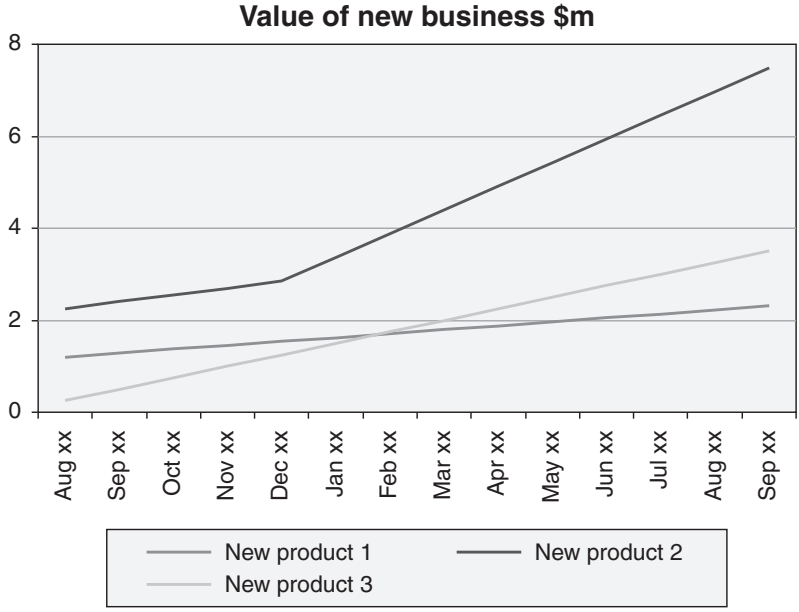
Employee Satisfaction

This is no different or less important than customer satisfaction. As one person said, "Happy staff make happy customers, who make happy owners." If you believe in this connection, run a survey now! A staff satisfaction survey need not be expensive and should never be done covering all staff; instead, it should be replaced by a rolling survey with a vertical and horizontal slice of the management and staff.[1]



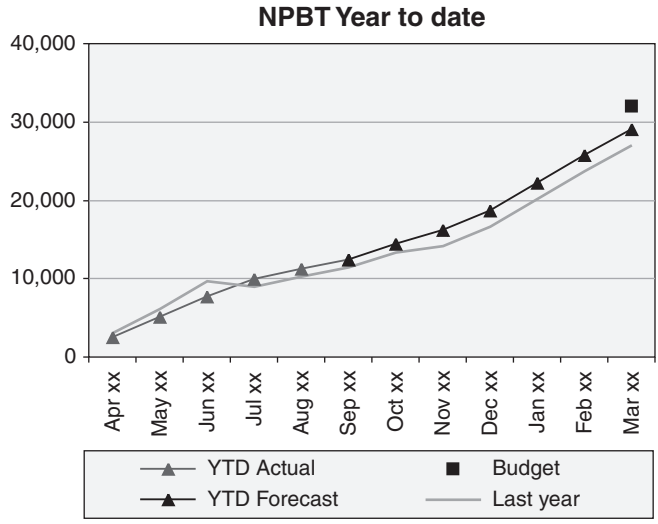
Value of New Business

All businesses in the private sector need to focus on the growth of their rising-star products. It is important to monitor the pickup of this new business, especially among the top 10% to 20% of customers, who create most of the bottom line.



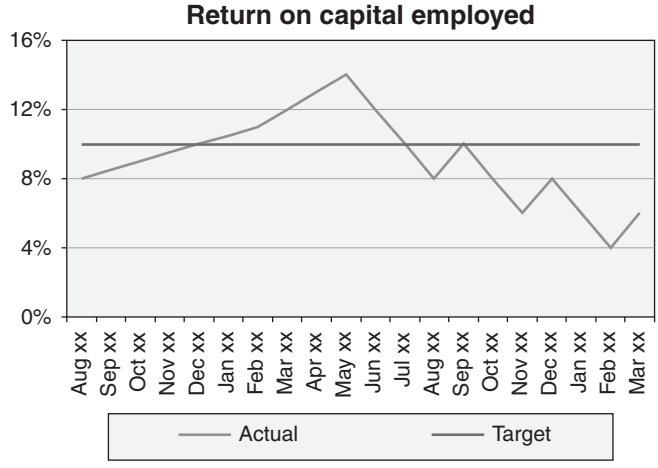
Net Profit before Tax

Since the board will always have a focus on the year-end, it is worthwhile to show the cumulative net profit before tax (NPBT). This graph will include the most recent forecast that should be updated on a quarterly basis bottom-up. This is the only KRI graph that starts at the beginning of the year; the rest should show a rolling 15- to 18-month trend.



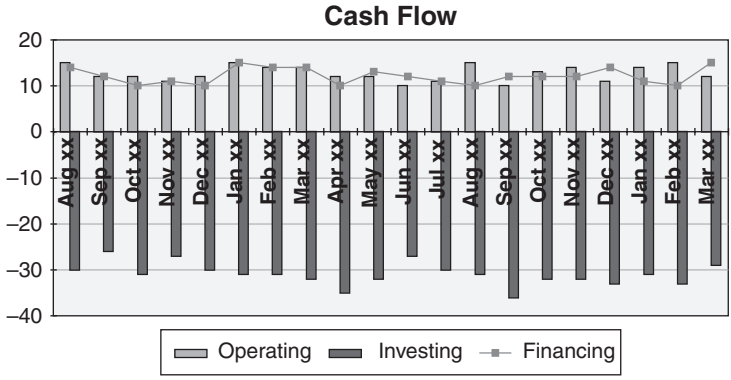
Return on Capital Employed

Return on capital employed (ROCE) is the old stalwart of reporting. The difference now is that ROCE is no longer a key performance indicator (KPI) but a key result indicator (KRI). This graph needs to be a 15- to 20-month trend graph.



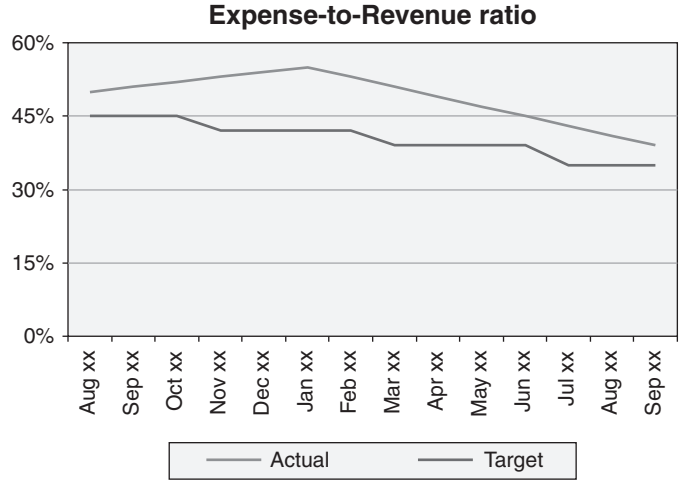
Cash Flow

The cash flow graph goes back at least 12 months and should be projected out at least 6 months forward.



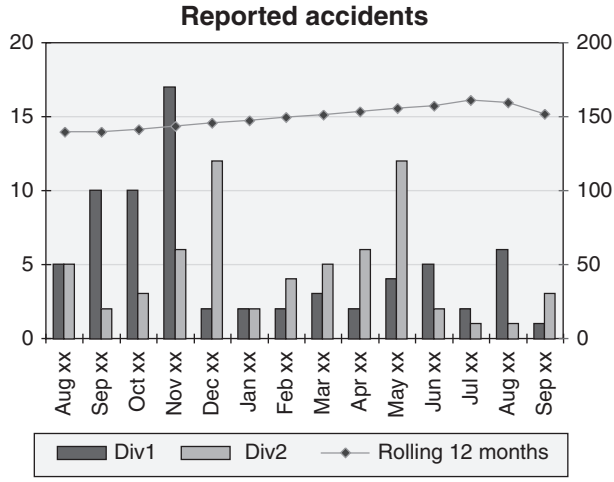
Expenses as a Ratio to Revenue

The board should be interested in how effective the organization has been in utilizing technology and continuous improvement to ensure that cost of operations is tracking well against revenue.



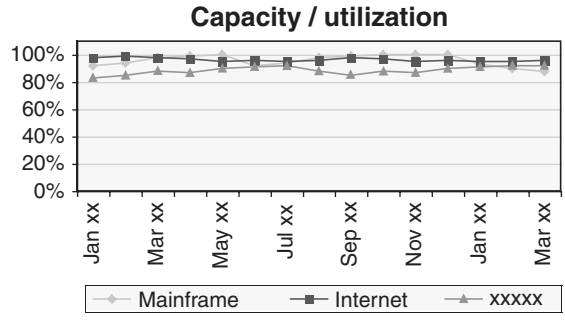
Health and Safety

All boards are interested in health and safety; the well-being of staff is a much higher priority these days than it was in the past.



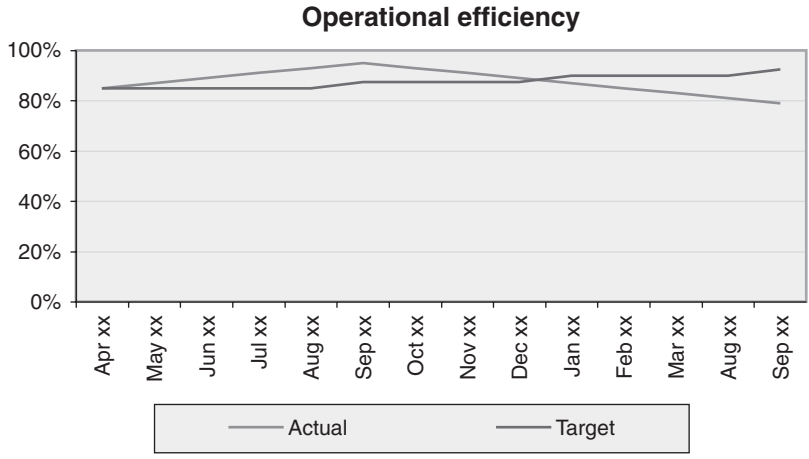
Capacity

Monitoring the capacity of key machines and plant should go forward at least 5 to 12 months. The board needs to be aware of capacity limitations, and such a graph will help focus board members on new capital expenditure requirements.



Operational Efficiency

Operational efficiency is a composite index based on a variety of statistics, such as delivered in full on time, portion of idle machine time (measuring key machines only), and the like.



Reporting Performance Measures to Management

Measures must be reported to management in a timely fashion. As mentioned throughout this book, key performance indicators (KPIs) need to be reported 24/7, daily, or at the outside weekly; other performance measures can be reported less frequently, such as monthly and quarterly.

Daily Reporting

The main KPIs are reported 24/7 or daily. Exhibit 5.4 shows how they should be reported on the intranet—some form of table giving the contact details, the problem, and some history so a call can be made and the manager cannot hide poor performance.

Late planes over 2 hours

Time:

Flight number	Statistics of last stop: Arrival late by	Departure late by	Time added	Region manager's name	Current time at location	Contact details: Work	Mobile	Home	No. of late planes over 1 hour: Last 30 days	30-day ave. of last 3 months	30-day ave. of last 6 months
BA1243	1:40	2:33	0:53	Pat Carruthers	18:45	xxxxx	xxxxx	xxxx	4	3	4
BA1598	1:45	2:30	0:45	xxxxxxx	19:45	xxxxx	xxxxx	xxxx	2	3	4
BA12	1:45	2:27	0:42	xxxxxxx	20:45	xxxxx	xxxxx	xxxx	4	4	5
BA146	1:45	2:24	0:39	xxxxxxx	21:45	xxxxx	xxxxx	xxxx	5	4	4
BA177	1:45	2:21	0:36	xxxxxxx	22:45	xxxxx	xxxxx	xxxx	2	4	3
BA256	1:45	2:18	0:33	xxxxxxx	23:45	xxxxx	xxxxx	xxxx	5	4	5
BA1249	1:45	2:15	0:30	xxxxxxx	0:45	xxxxx	xxxxx	xxxx	2	4	3
Total	7 planes										

EXHIBIT 5.4 Intranet-Based KPI Exception Report Example

Another benefit of providing senior management with daily/weekly information on the key performance areas is that the month-end becomes less important. In one company where there is a 9 o'clock report every morning, management holds a sweepstakes on the month-end result. Talking about the monthly numbers is a small part of the meeting, which happens in the first week of the following month. In other words, if organizations report their KPIs on a 24/7 or daily basis, management knows intuitively whether the organization is having a good or bad month.

Weekly Reporting

Some KPIs only need to be reported weekly. Exhibit 5.5 is an example of how the KPIs could be presented. Note that while all the KPIs will be graphed over time—at least 15 months—only the three KPIs showing a decline in performance would be graphed. The other two KPI graphs would be maintained and used when necessary.

Monthly Reporting

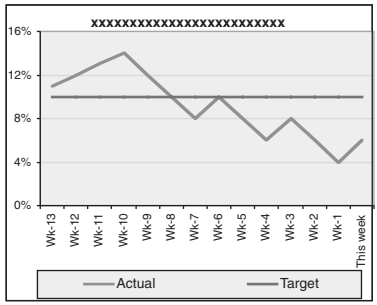
Performance measures can be shown endless ways, whether in a balanced scorecard or not. Performance measures can be shown through icons, gauges, traffic lights, and so on. Exhibit 5.6 is an example of a Stephen Few dashboard.

Too often too little thought goes into the design of these management reports. A must visit for all report designers is Stephen Few's Web site www.perceptualedge.com), where you can access, free of charge, many high-quality white papers on graphical displays.

His book on dashboard design is also highly rated.[2]

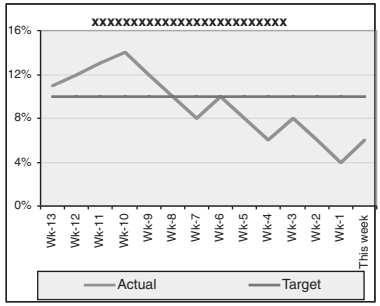
Top five KPIs
Weekly report xx xxxx 20xx

Top 5 weekly KPIs	Target	Result	Rating
Xxxxxxx xxxxx xxxxx (see graph below)			☹
Xxxxxxx xxxxx xxxxx (see graph below)			☹
Xxxxxxx xxxxxxx xxxxxxx.			☺
Xxxxxxx xxxxx xxxxx (see graph below)			☹
Xxxxxxx xxxxxxx xxxxxxx..			😐



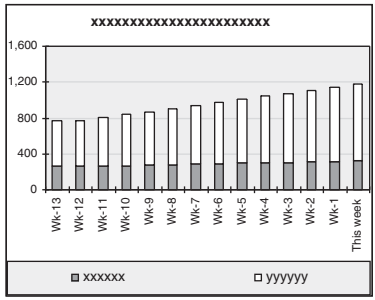
Issues:

Actions to be taken:



Issues:

Actions to be taken:



Issues:

Actions to be taken:

EXHIBIT 5.5 Top five KPIs Weekly report xx xxxx 20xx

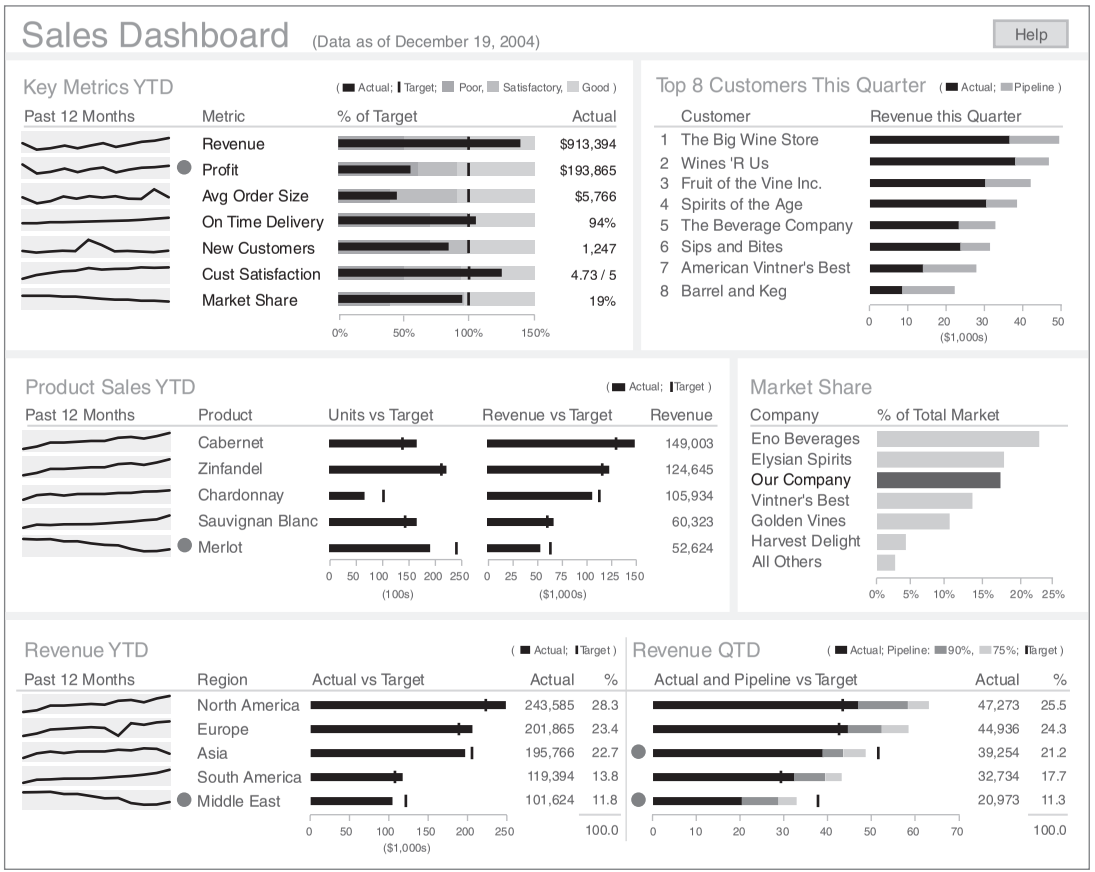


EXHIBIT 5.6 Sales Dashboard

Stephen Few's contribution to report design is immense. His workshops, books, whitepapers and articles are a must attend/read for all those involved in reporting performance to the Board, senior management, staff and the general public. All reporting of winning KPIs and other performance measures is vastly improved if one adopts his design techniques in all forms of balanced scorecard reporting.

Few has come up with a very useful list of 11 common pitfalls in dashboard design:

1. Exceeding the boundaries of a single screen (where managers have a multiple choice as to what they can see—in other words the designer has not determined what is important).
2. Supplying inadequate context for the data. (Graphs which do not clearly show what is good or bad performance).
3. Displaying excessive detail or precision (not rounding enough).
4. Expressing measures indirectly (Few prefers, on occasion to to hold one data series as a constant and express the other as a percentage deviation).
5. Choosing inappropriate media of display (choosing the wrong graph, especially a pie chart; using a graph when a table would be better; etc.).
6. Introducing meaningless variety (using a myriad of different graphs on one page, just because we can do them).
7. Using poorly designed display media (lack of thought regarding the real issues).
8. Encoding quantitative data inaccurately (by setting the starting scale away from zero).
9. Arranging the data poorly (by not linking issues together and not positioning graphs on the same point together).

10. Not highlighting what is important (all data competing for attention).
11. Cluttering the screen with useless decoration (too many rocket scientist's toys).

Each one of these pitfalls is explained in detail in his white paper on the topic.[3]

Reporting Performance Measures to Staff

Team Balance Scorecards

Exhibit 5.7 is an example of a team scorecard using Excel. Excel is a useful tool to design and test a template before a more robust and integrated solution is sourced.

Some providers supply graphs, help you develop them, and then charge by usage. One such provider is Ergometrics (www.ergometrics.com).

Exhibit 5.8 presents another speedometer report. Exhibit 5.9 explains how the graphs in Exhibit 5.8 are interpreted.

Reporting Organizational Progress to Staff

It is a good idea to have some form of monthly icon report for staff, a report that would not be damaging to the organization if it found its way to a competitor. Icon reports are ideal, as they tell you what is good, what is adequate, and what needs to be improved without giving away core data. Exhibit 5.10 is an example of an icon staff report that covers the CSFs and reminds staff about the strategies.

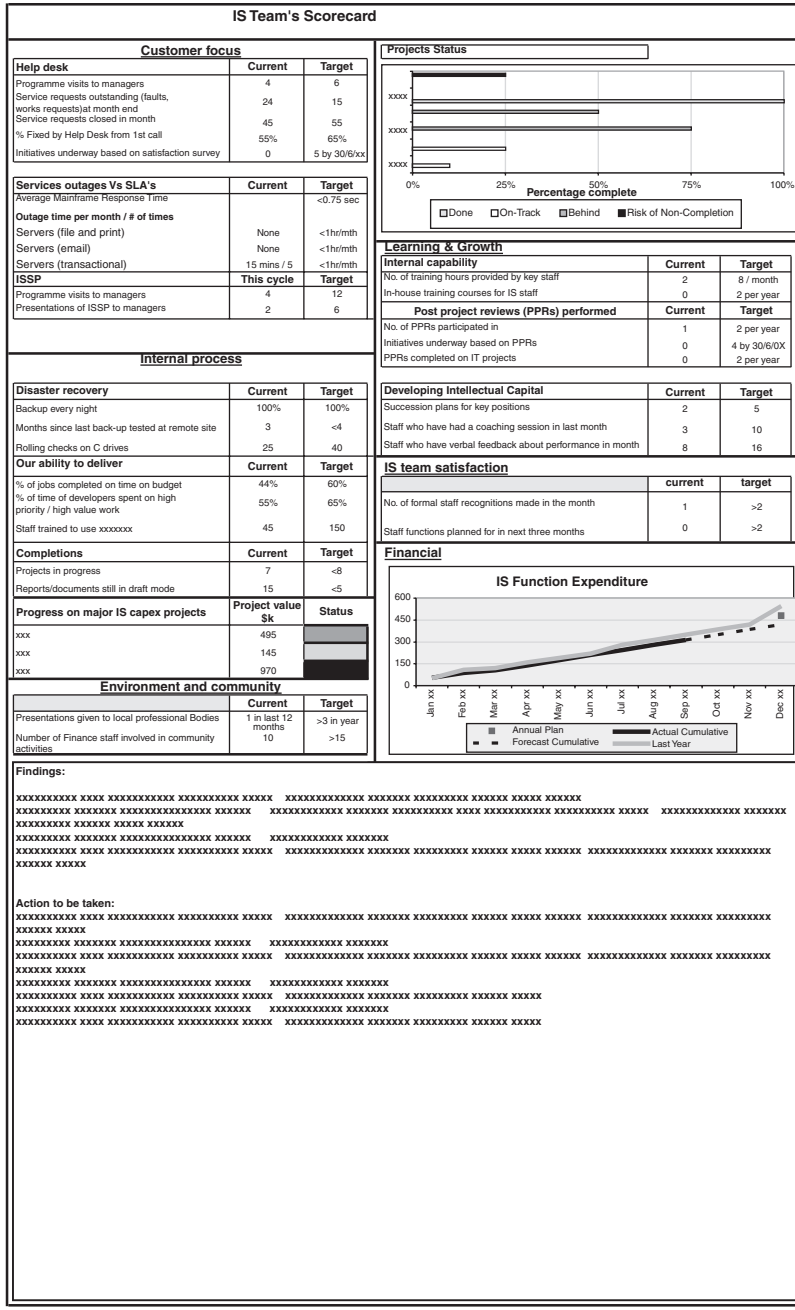


EXHIBIT 5.7 Team Scorecard Designed in Excel Example

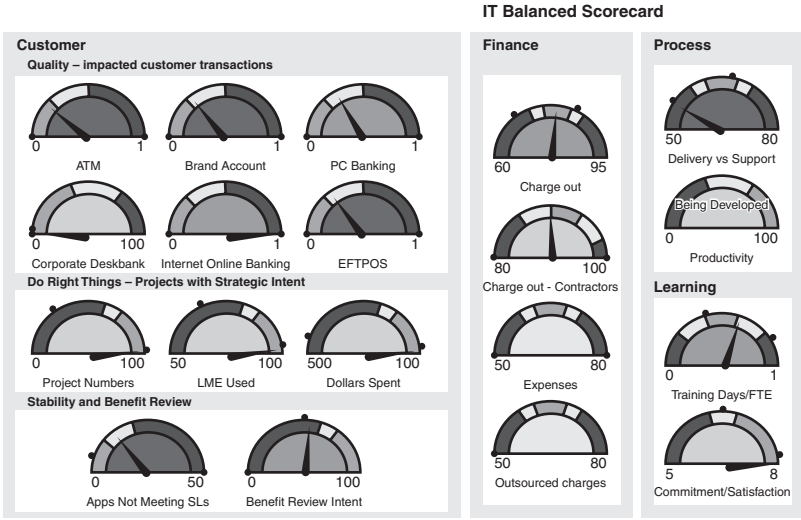


EXHIBIT 5.8 Team Speedometer Report

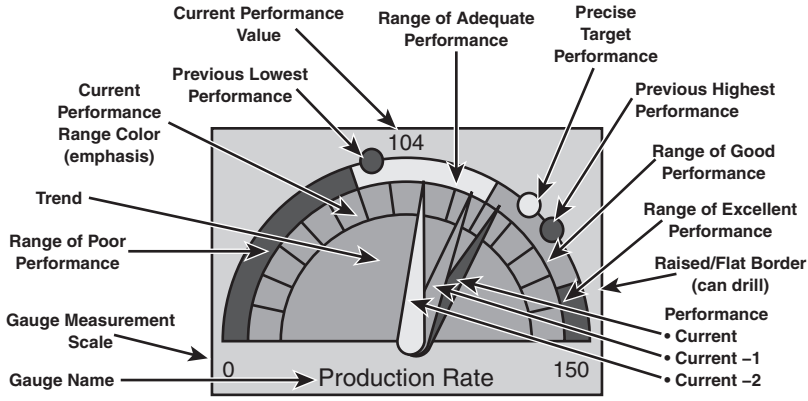


EXHIBIT 5.9 How One Company Has Made the Speedometer Give More Information



EXHIBIT 5.10 Icon Report for Staff Example

Graph Format Examples

Exhibits 5.11 through 5.22 provide graphs for demonstration purposes only. The KPI team will need to be experts in graphical displays, ensuring, in each case, that the graph chosen conveys the appropriate message.

Good Features in Exhibit 5.11

- Use of a five-point scale
- Grid lines to highlight "nearly 40% of all participants were satisfied with . . ."

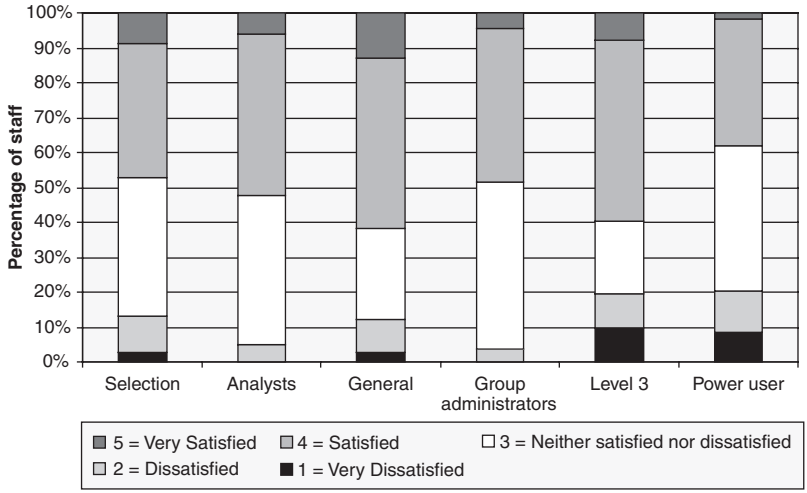


EXHIBIT 5.11 Satisfaction Survey Response

When showing this graph in color, you may wish to use red for very dissatisfied as a warning.

Good Features in Exhibit 5.12

- A clear summary of a number of activities
- Graph incorporates an "overall" score

This graph would be shown with a yellow background.

Good Features in Exhibit 5.13

- Particularly useful for survey responses

The vertical gridlines are lightly shaded.

Good Features in Exhibit 5.14

- Ease of sector comparison
- Overall trends clearly displayed
- Groups easily differentiated

Best suited for multicompany/unit comparison where similar units can be compared.

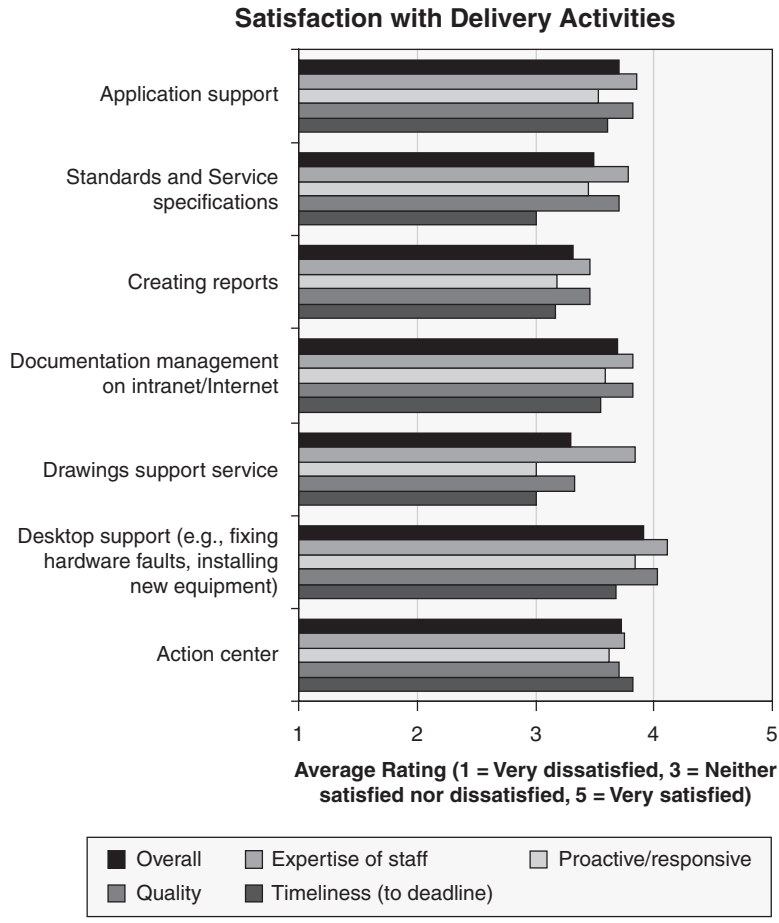


EXHIBIT 5.12 Satisfaction Graph Example 1

Good Features in Exhibit 5.15

- Two-line combination graph comparing financial and non-financial information
- Lines shaded to match the scales

Notice that the vertical scales do not match up—there are four divisions on the left and six on the right-hand side scale. It is always best to match them up.

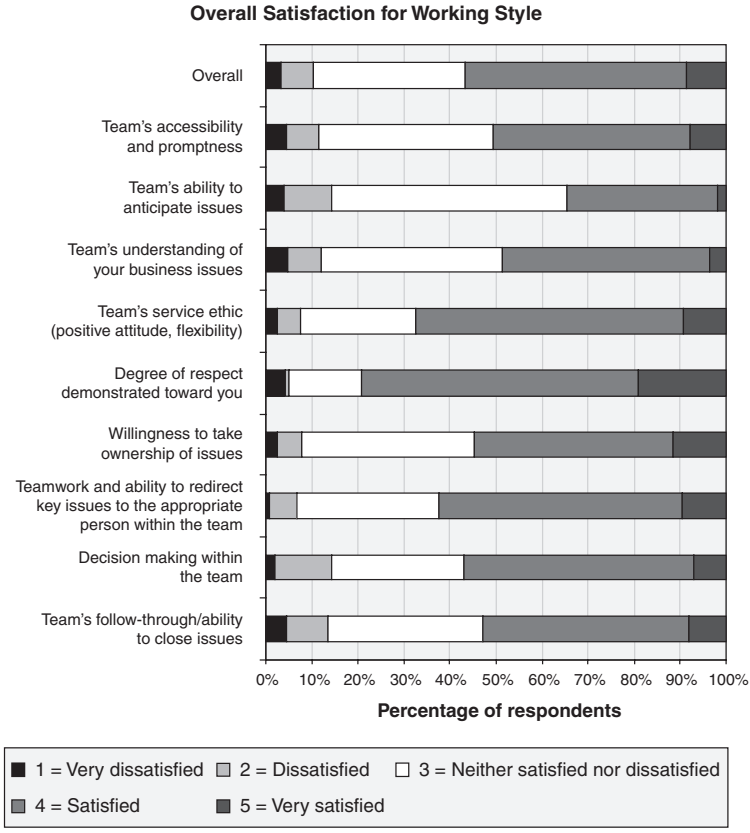


EXHIBIT 5.13 Satisfaction Graph Example 2

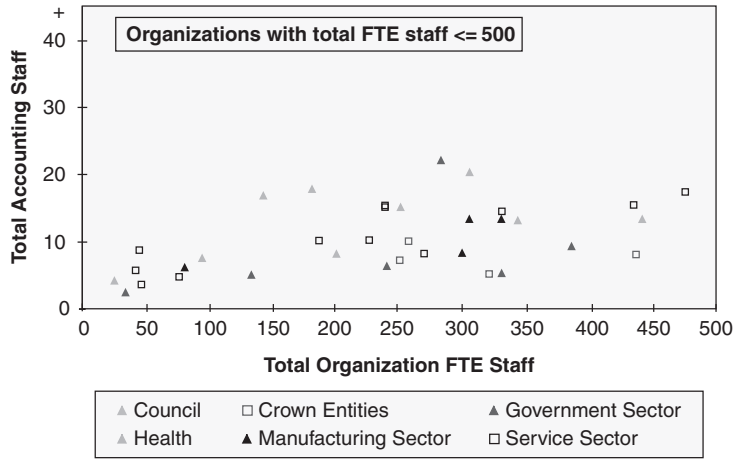


EXHIBIT 5.14 Scatter Diagram Example

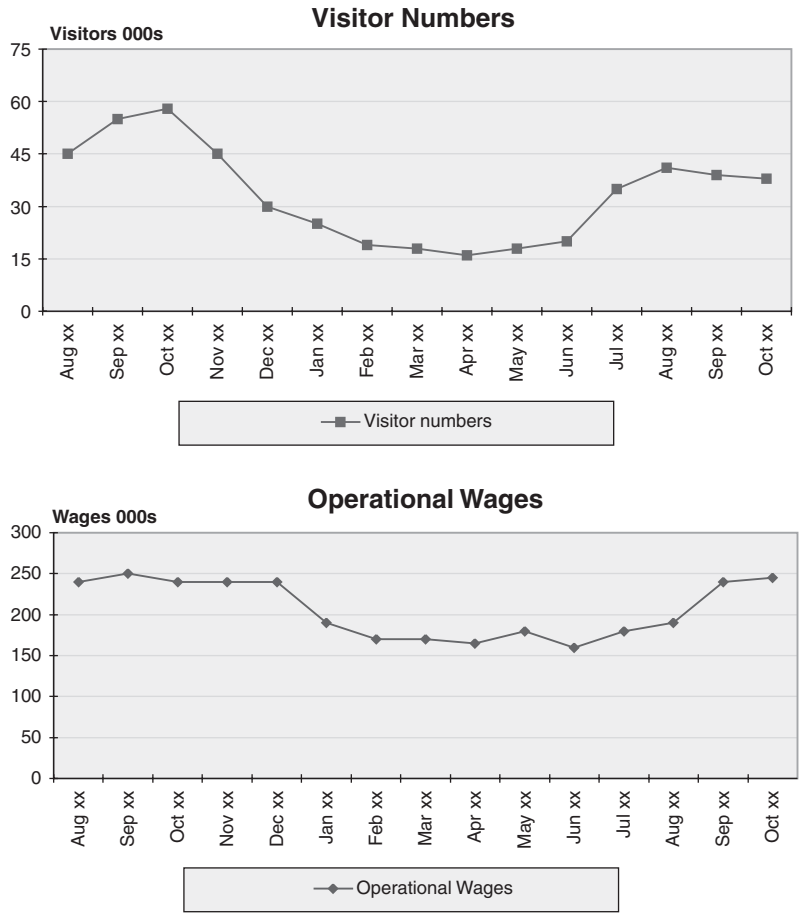


EXHIBIT 5.15 Contrasting Two Relevant Data Streams

Good Features in Exhibit 5.16

- A sparkline graph looks like a line graph without the axis's. Even with this truncated diagram you can still see the trend. These sparkline graphs come with a bullet graph that show different detail about current performance. The shades are good to poor performance and the dark vertical line the target. The large bullet points indicates where action needs to be taken.

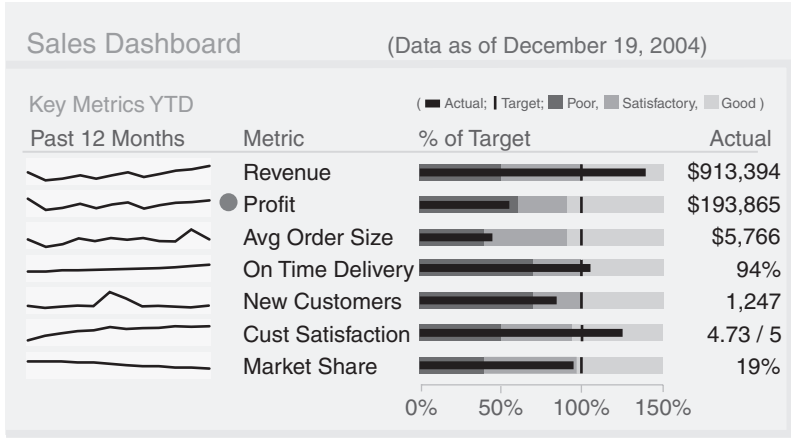


EXHIBIT 5.16 Combination of Sparkline and Bullet Graphs
Source: Stephen Few at www.perpetualedge.com

This color matching aids identification of results and comprehension. Note that gridlines match up. Both vertical scales have same number of divisions.

Good Features in Exhibit 5.17

- A stacked bar graph for ease of display of both total and individual costs and not too many components (Four to five items is about the maximum.)

Good Features in Exhibit 5.18

- Horizontal multibar graph allowing easy comprehension and comparison

Good Features in Exhibit 5.19

- Multiline graph showing a 15-month range with three clearly identifiable revenue streams

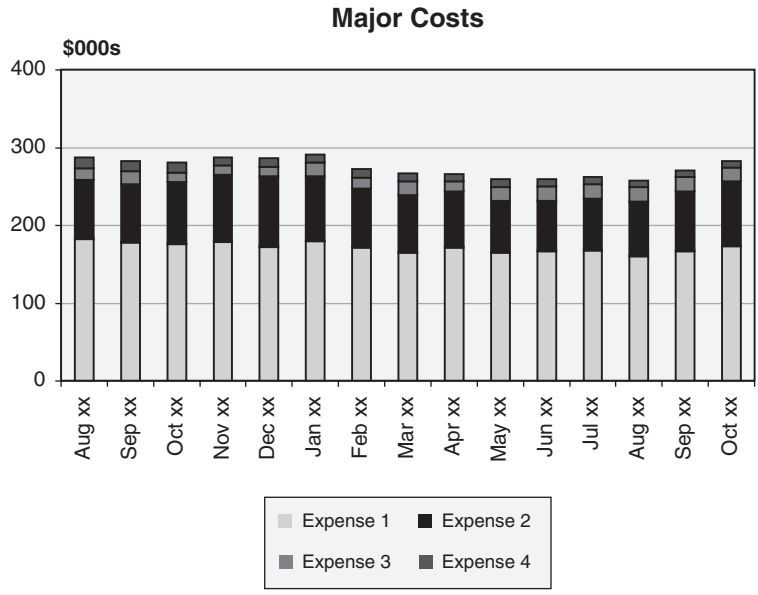


EXHIBIT 5.17 Stacked Bar Example

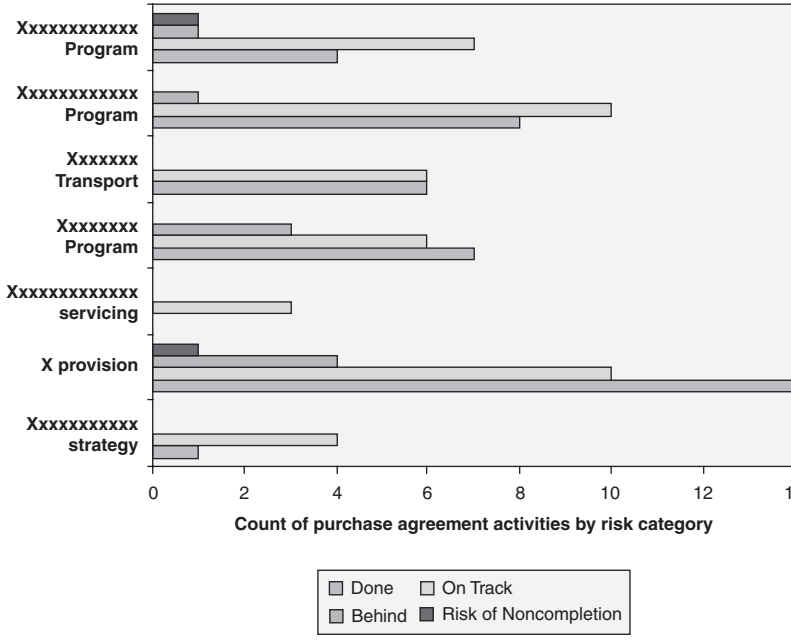


EXHIBIT 5.18 Horizontal Multibar Graph Example

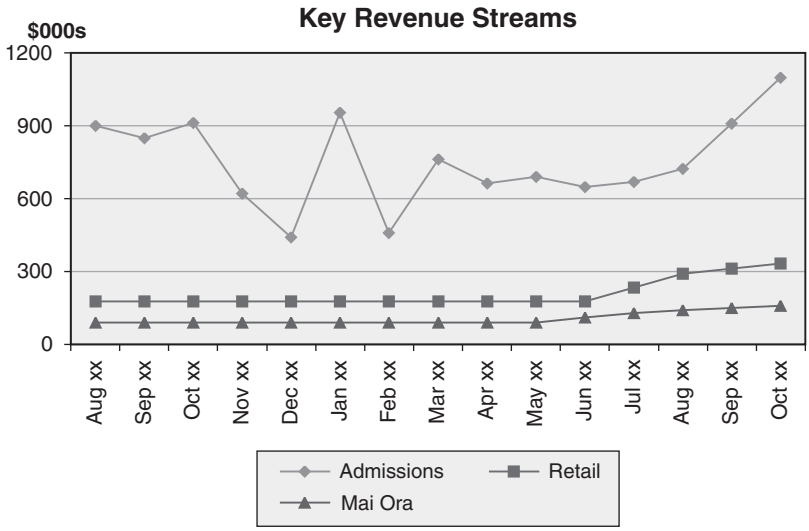


EXHIBIT 5.19 Multiline Graph Example

Good Features in Exhibit 5.20

- Demonstrates acceptable range of performance as well as indicating that improvement is being sought over time (cascading downward target)

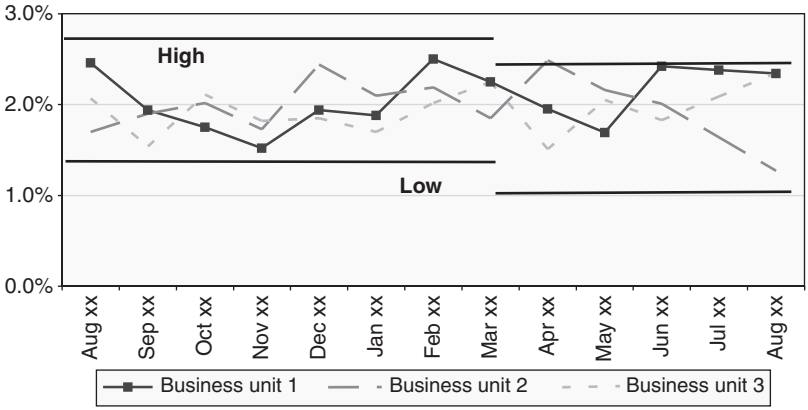


EXHIBIT 5.20 Acceptable Ranges Graph Example

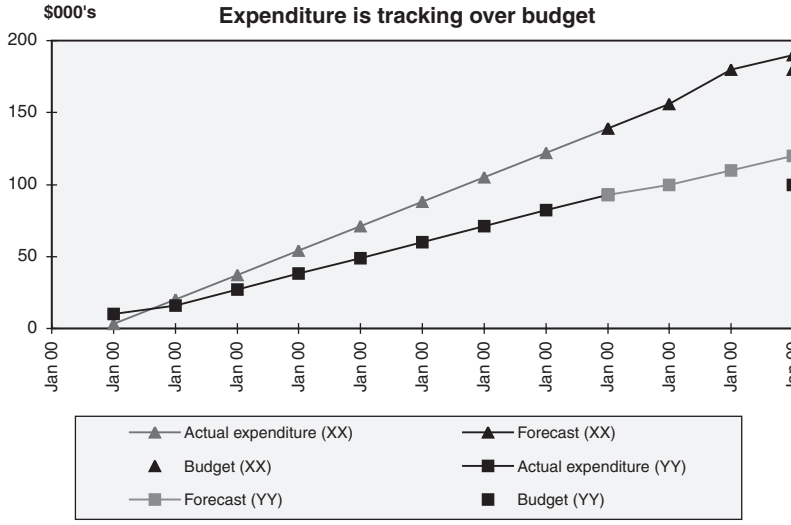


EXHIBIT 5.21 YTD Cumulative Example

Good Features in Exhibit 5.21

- Ready comparison between actual/forecast and budget for two significant items of expenditure covering the year in focus

 Note that the budget year-to-date trend is not drawn in, as it would be a straight line in most cases, and where there is a seasonal trend the line would be merely an error-prone guess.

Good Features in Exhibit 5.22

- Three lines beginning as actual and moving on to forecast

 It is a good idea to show a clear distinction between actual and forecast numbers by changing the color of the line (e.g., from dark blue to light blue).

The checklist in Exhibit 5.23 will help ensure that your graphs help in the decision-making process.

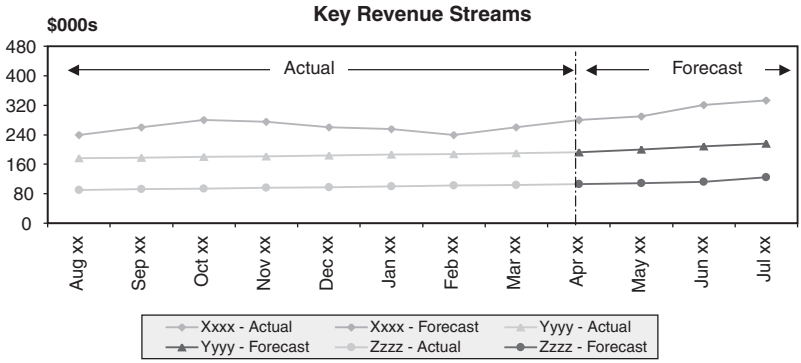


EXHIBIT 5.22 Actual and Forecast Comparisons Example

EXHIBIT 5.23 Better-Practice Graphics Checklist

	Check as appropriate
1. Insert graphs into tables in a Word document to enable formatted text to be placed underneath or to the side without the need for complex tab arrangements. Graphs will also auto size to the width of the table when pasted, saving formatting time.	☐ Yes ☐ No
2. Where possible, show at least 15-month trend analysis.	☐ Yes ☐ No
3. Avoid more than three trend lines per graph, as they probably will cross over numerous times and cause confusion.	☐ Yes ☐ No
4. In line graphs, thicken the standard line to allow colors to stand out.	☐ Yes ☐ No
5. Use a pale-yellow background to maximize color impact.	☐ Yes ☐ No
6. Avoid more than five divisions in a stacked bar.	☐ Yes ☐ No
7. Wherever possible, print in color.	☐ Yes ☐ No
8. Use high-quality glossy paper for the final copy.	☐ Yes ☐ No
9. Put the title of the graph in the table rather than on the graph to enable an 11th-hour change without having to go back to the source graph.	☐ Yes ☐ No

(*Continued*)

EXHIBIT 5.23 (*Continued*)

	Check as appropriate
10. Make the graph title mean something (e.g., instead of RoCE, say "RoCE is improving"; instead of EBIT, say "EBIT is declining but expected to recover.")	☐ Yes ☐ No
11. Organize workbooks so that worksheet names clearly show which graphs are in each worksheet.	☐ Yes ☐ No
12. Limit graphs to four per worksheet so that they can be viewed on one screen. This also avoids searching for graphs six months later when you have forgotten which worksheet they are in.	☐ Yes ☐ No
13. Keep it simple; there are many graphical options that do not convey their message quickly (e.g., radar, bubble, and 3D surface graphs are so difficult to read that two individuals can read the same graph and end up with very different conclusions).	☐ Yes ☐ No
14. When paste-linking graphs into the document, select the manual link option as opposed to automatic. Word attempts to update all automatic links when opening a document, and this can corrupt graphs or lock the computer if the source worksheet was not opened first.	☐ Yes ☐ No
15. Integrate graphs with the text. Do not place graphs in an appendix.	☐ Yes ☐ No
16. Have read Stephen Few's work on graph and dashboard design.	☐ Yes ☐ No
17. When creating a graph using Excel, change the font to disable auto-sizing or the text will always dominate the graph when enlarged.	☐ Yes ☐ No

Notes

1. "How to Seek Staff Opinion and Not Blow Your Budget," *Human Resources* (June 2002), available from www.waymark.co.nz.
2. Stephen Few, *Information Dashboard Design: The Effective Communication of Data* (Sebastopol, CA: O'Reilly Media, 2006).
3. Stephen Few, "Common Pitfalls in Dashboard Design," www.perceptualedge.com/articles/Whitepapers/Common_Pitfalls.pdf.

CHAPTER 6

Facilitator's Resource Kit

If you have been selected as a facilitator to assist in the development of performance measures, you will need to be completely familiar with Chapters 1 through 9 of this book. This resource kit provides you with three additional components to assist you in executing your role, namely:

1. Two introductory key performance indicator (KPI) presentations on www.bettermanagement.com. Search under Parmenter and view and listen to "Introduction to Winning KPIs" and "Finding Your Organization's Critical Success Factors." All you will need is a fast connection, sound card, and speakers, and to register, which is *free*. The site is an excellent source of the latest management thinking.
2. Some checklists.
3. A list of typical questions (and answers) you may expect to confront in your role.

Remember the Fundamentals

Coaches often talk about doing the fundamental or basic things well to ensure success. This is good advice for facilitators of KPI development, because at times the process will appear to be quite involved and complex.

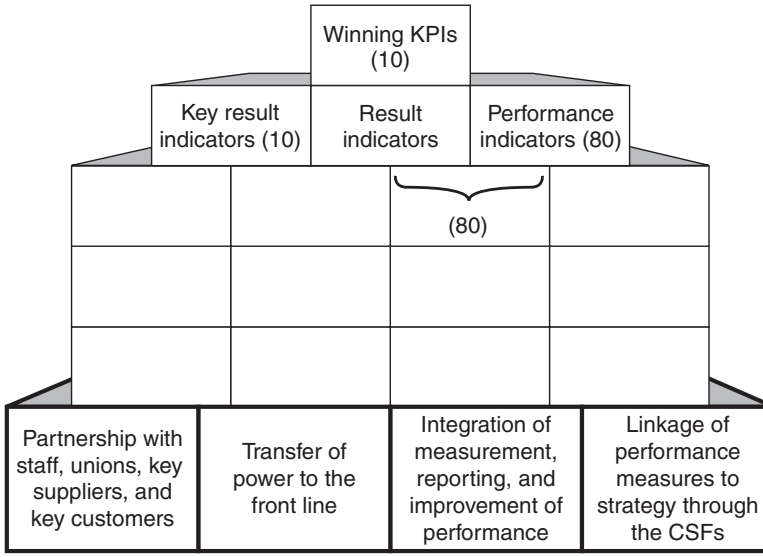


EXHIBIT 6.1 Four Foundation Stones

As you carry out your role, always review the four foundation stones to check that your efforts are concentrated in the right areas (see Exhibit 6.1).

12 Steps and the Facilitator's Involvement in Them

It is important that the facilitator's role is one of facilitation and mentoring, not project leadership. The facilitator should have little hands-on involvement after the setup steps have been completed. The message in this KPI book is that project team members, coordinators, and teams should take on significant roles themselves. The facilitator's particular role is to guide the overall process, providing assistance and resources as required.

Each of the 12 steps contains questions and/or worksheets to be completed as the project team progresses through the

implementation. The facilitator should ensure that these questions and worksheets are tailored to the organization and then followed.

A rushed and noncollaborative approach to the development and implementation of performance measures combined with a profound misunderstanding of the differences among key result indicators (KRIs), result indicator (RIs), performance indicators (PIs), and KPIs will result in failure.

Checklist of the Facilitator Role

Although your involvement will vary from assignment to assignment, Exhibit 6.2 provides a draft checklist of the main tasks you will need to consider. It is important that the facilitator's role is just that; it should never become the project manager's role.

KPI Typical Questions and Answers

Obviously, the process of KPI development will generate concerns and questions that reflect the situation and culture of the particular organization. The questions that follow represent the typical or likely issues you may need to respond to as a facilitator. The questions are divided into three broad categories; questions about:

1. Why performance measures are being introduced
2. How performance measures will be introduced
3. How performance measures will be used

The suggested responses to each question are derived from the philosophy and values that underlie the four foundation stones for KPI development and use.

EXHIBIT 6.2 Facilitator's Role Checklist

The facilitator's role is to:	Task completed
1. Help the senior management team (SMT) pick a key performance indicator (KPI) project team.	☐ Yes ☐ No
2. Convince management that these staff members need to be committed full time.	☐ Yes ☐ No
3. Help select a liaison person for all business units/service teams.	☐ Yes ☐ No
4. Ensure that SMT members are not on the project team.	☐ Yes ☐ No
5. Help sell the concept to the SMT.	☐ Yes ☐ No
6. Access performance measures and reporting templates that have been used in other organizations to avoid reinventing the wheel.	☐ Yes ☐ No
7. Introduce case study material.	☐ Yes ☐ No
8. Obtain a sufficient level of commitment from the SMT.	☐ Yes ☐ No
9. Sell the concept to any new SMT members.	☐ Yes ☐ No
10. Guide the SMT to accept the balanced scorecard perspectives recommended in this book.	☐ Yes ☐ No
11. Ensure that the KPI project team and SMT refine the hundreds of performance measures to fit the 10/80/10 rule.	☐ Yes ☐ No
12. Help the team differentiate among KRIs, RIs, PIs, and KPIs.	☐ Yes ☐ No
13. Ensure that the organization does not consolidate business unit performance indicators and end up calling them KPIs.	☐ Yes ☐ No
14. Ensure, with the SMT, that project team members are encouraged, given regular feedback, given recognition when milestones have been achieved, and so forth.	☐ Yes ☐ No

EXHIBIT 6.2 (*Continued*)

The facilitator's role is to:	Task completed
15. Empower and educate the KPI project team members so they do not have to rely on experts to run the project.	☐ Yes ☐ No
16. Promote the use of existing in-house applications for database and reporting purposes during the first 12 months.	☐ Yes ☐ No
17. Help the KPI project team to set up a database to record all performance measures identified and communicate these through the KPI intranet home page.	☐ Yes ☐ No
18. Ensure that work on team performance measures does not divert the project team from ascertaining the organization's KPIs.	☐ Yes ☐ No
19. Ensure that the KPI team has made good use of reporting templates outlined in Chapter 5 before attempting to develop any of its own.	☐ Yes ☐ No
20. Ensure that the organization finds a suitable name for the scorecard reports (e.g., "navigator" instead of "balanced scorecard").	☐ Yes ☐ No

Questions Related to Why Performance Measures are Being Introduced

Why are we being asked to cooperate in the introduction of performance measures?

Your response should focus on two key issues:

1. Make it clear that the way performance measures are to be introduced and used is different from previous applications of performance measurement in the workplace. That is, performance measures typically have been instigated, collected, analyzed, and used by managers and supervisors. In contrast, this best-practice approach to KPI development and

use is completely concerned with involving employees in what gets measured, how things are measured, and what gets done as a result of the information. In short, a best-practice approach to performance measures cannot succeed without the cooperation, involvement, and empowerment of the organization's employees.

2. Be prepared to explain how performance measures fit in with the other strategies for improvement in the organization. This link could be related to a customer focus program, a quality improvement program, enterprise bargaining, and so forth. Making the link clear will remove any concerns about the timing of KPI introduction—that is, the "Why now?" question.

Why does management need new measures of performance?

Your response should focus on three key issues:

1. The new performance measures are for everyone in the organization to use (i.e., not just management).
2. The purpose of performance measures is to enable everyone to focus on the key aspects of organizational performance that determine health and success. With a best-practice approach to KPI development, everyone understands what these aspects are for your organization.
3. New measures of performance are required to ensure the company takes a broad view of what determines health and success. That is, companies need performance measures that help them to improve in relation to:
 - Customer focus
 - Financial performance
 - Learning and growth
 - Internal process
 - Employee satisfaction
 - Environment and community

Are these performance measures going to be used against us?

The purpose of KPIs, PIs, and KRIs in a best-practice approach is to empower employees to use the information to assist them to improve performance. Performance measure reporting does not create report cards. The results are more like a progressive scoreboard that enables teams to assess the current position and plan the response they want to take.

Questions about the Introduction of Performance Measures

Who will decide what gets measured?

Each team will select the performance measures that relate to its own efforts and actions. There are three key criteria for teams to address when selecting measures.

1. Each team should assess how the team can affect the organization's critical success factors (CSFs).
2. The ease of use of measure, and the ability of the team to take action based on the information needs to be assessed before any decision is made.
3. A performance measure must be carefully vetted by the KPI team and senior management team (SMT) before it can be called a KPI.

Do we all need the same performance measures?

No. Everyone should focus on the same organization-wide CSFs, but what is measured will vary according to the team's function and how the team believes the item impacts on the CSFs.

Over time, as you build an integrated system of KPIs, RIs, PIs, and KRIs, your team will be able to look at a hierarchy of performance measures, as shown in Exhibit 6.3.

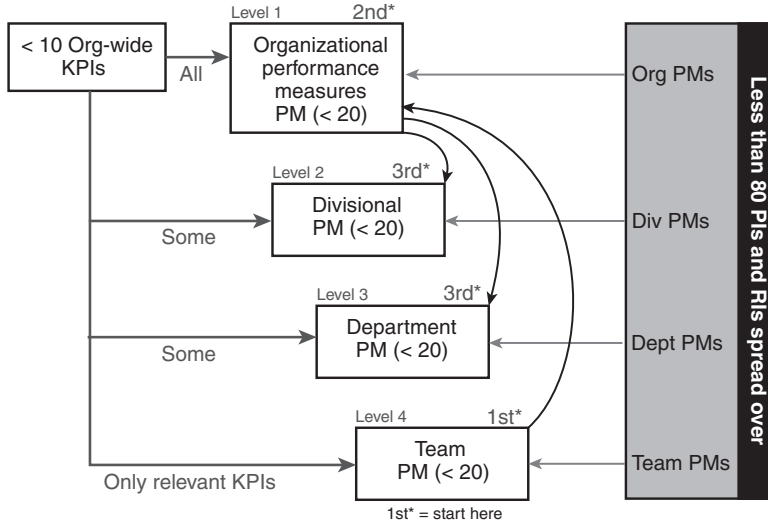


EXHIBIT 6.3 Interrelated Levels of Performance Measures in an Organization

Can we be forced to measure a particular aspect of performance?

Forcing a team to measure something contradicts the principles of partnership and empowerment. In short, teams should be encouraged to select performance measures that relate to the organization-wide CSFs. If the KPI team or SMT believes that a particular team is not measuring performance in a key area (e.g., an aspect of customer service), the KPI team may suggest that the team review its performance measures.

How many performance measures do we need?

There is no perfect number of performance measures. What you need to consider is:

- Have you introduced performance measures that cover all the CSFs?

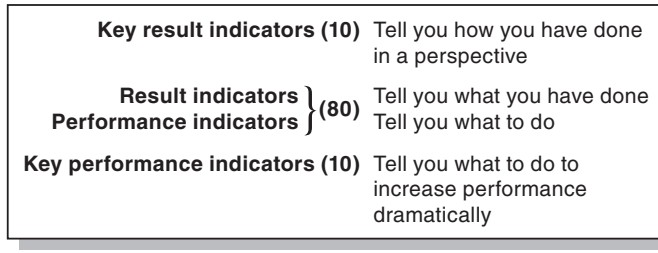


EXHIBIT 6.4 10/80/10 Rule for Performance Measures

- Can you easily sustain the number of performance measures you are proposing to use?
- Is each particular performance measure in fact providing useful information that the team can use to analyze and improve the key processes for which it is responsible?

Often these criteria result in up to 25 performance measures for a team. Remember that teams can modify their performance measures whenever they believe they are not meeting their needs. The 10/80/10 rule is a good guide (see Exhibit 6.4).

Do we need to start from scratch and develop totally new performance measures?

Probably not. Your goal is to develop a set of performance measures that address the CSFs for the organization. You may well be able to use some existing measures. In other cases, new performance measures may be required.

What do you do when it is difficult to measure something?

In simple terms, do the best you can. Sometimes it is necessary to develop a performance measure that is a proxy for what you are seeking to track. For example, a team may want to measure morale. This can be achieved by using a survey approach. However, surveys generally are done on a sample basis and no

more frequently than quarterly. The team may decide to focus on measures that are proxies for morale, such as attendance, occupational health and safety indices, or the number of errors or mistakes.

Questions Related to the Use of Performance Measures

Who decides how performance measures are used?

Under the principle of partnership, the uses and application of performance measures should be agreed to by the consultative committee (or equivalent) and each individual team.

The use of performance measures can evolve over time; however, the direction of this evolution is a subject for consultation and agreement.

Will performance measures evaluate individual performance?

No. The focus of performance measures is on key processes and key outcomes that determine organizational health and success. At the team level, performance measures should target team performance rather than individual performance.

Will performance measures be used for disciplinary purposes?

No, performance measures should be used to help teams to analyze and improve processes. In the case of a performance problem in relation to a team or an individual, the standard process for addressing such an issue should be pursued.

What happens if a KPI target or goal is not achieved?

If a team has set some goals for improvement related to its performance measures, it is, of course, possible that these targets or goals may not be achieved.

This is not a crisis. The focus should be on analyzing why the goal could not be achieved. Through this problem-solving focus, the team can progressively identify and eliminate the barriers to the achievement of the goal.

Running Workshops

Running good workshops is an acquired skill, and the KPI team should receive specific training in this area. When I am running a workshop, I follow some basic rules. I set these out more as a guide rather than an instruction. Experienced facilitators will no doubt have their own successful ways.

- Try to limit any presentations to 40 to 60 minutes; after that time, commence a workshop.
- After complex issues have been raised, ask the audience to discuss in groups of twos and threes what they agree with, what they disagree with, and what they do not understand. This two- to three-minute breakout gives attendees the chance to learn from each other, as some will understand the points that have confused others.
- Always have detailed workshop instructions on a handout and read them out twice, and give attendees an example. You will be amazed how instructions can be misunderstood.
- Avoid speaking three days in a row. You will be speaking for most of the day, so you will need a break. You may think you can do it without affecting quality, but I assure you, your enthusiasm will not be there.
- Get the invitation to attend sent out by the CEO, and ensure acceptances are either monitored by the CEO's personal assistant or reported directly to the CEO. You need a full workshop.
- It is best to have a venue away from office. If the workshop is held on site, you run the risk of people disappearing to their desks during the break and never returning.

- If you send out prereading material, do not expect it to be absorbed. Many will have read the material quickly, on the way to the workshop.
- Place cryptic notes on the slide to trigger a story, and place a (Q) when you want to trigger a question to the audience.
- Best to show the slide rather than bringing in material point by point—attendees can read three times faster than you can talk, so utilize this benefit.
- Never read the points on a slide; the attendees have already done that. Your role is to amplify each point. Thus, you never need to have long sentences on the slide; cryptic phrases are best. Keep the sentences to the handouts.
- I always have a discussion paper that contains all the complex slides in a larger version. If I am showing a financial statement, I will show it on the slide and then direct the audience to the appropriate page in the paper.
- Follow the basic PowerPoint slide rules:
 - A maximum of five to six points on a slide
 - Each point a maximum of two lines
 - Text on the slide should not be less than 24 point (I tend to use Times Roman 28 point for bullet points.)
- Print out the slide handout, three slides to a page, as the detailed slides are shown in the attached paper.
- While the groups are in workshop, leave the room and reflect how it is going, what has been omitted, what needs to be changed, and so on.
- Over coffee breaks, chat briefly with attendees to ask how the workshop is going for them, the pace of the workshop—is it too fast, just right, or too slow?—and their findings from their workshop.
- Set up the workshop in classroom style (e.g., with a table in front). This is better than conference style (e.g., using a round table) as some attendees are sitting at an awkward angle through the presentations.

EXHIBIT 6.5 Preparation Checklist

	Site 1	Site 2
Tasks to do before sending material		
Footer and page number on slides		
Workshop instructions prepared		
Workshop exercise sheets prepared		
Confirmed data projector at site		
Confirmed whiteboard at site		
Sent seating plan		
Week prior to workshop		
Handouts sent and have been received		
All presentations on laptop		
Tested preparations loading onto laptop		
Presentation and handout copies on USB stick		
Web site loaded with reference material, if necessary		
Day before travel		
Pack hotel booking details		
Pack clothing and toiletries		
Pack wireless mouse (with laser pointer)		
Pack power cable for laptop		
Pack phone charger in briefcase		
Pack spare data projector cable		
Pack workshop handout master		
Pack laptop		
Pack electronic flight tickets in note-taking folder		
Pack note-taking folder in briefcase		
Pack background material in briefcase (reading on plane)		
Pack business cards		

- For larger groups, have small notepads available and ask the audience to write their questions on them. I then have a question-and-answer session after each break. The benefits of the notepads are that the more introverted members who often have the great questions get a chance to raise them.

If the facilitator is required to run a workshop, Exhibit 6.5 provides a preparation checklist.

CHAPTER 7

Critical Success Factors Kit

CSFs are the "list of issues or aspects of organizational performance that determine ongoing health, vitality, and well-being."[1]

It is the critical success factors (CSFs), and the performance measures within them, that link daily activities to the organization's strategies. This, I believe, is the El Dorado of management.

For years organizations with KPIs have not had the focus, adaptability, innovation, and profitability that they were seeking. KPIs were ill conceived, mislabeled, and misused.

This mayhem stemmed from a complete lack of understanding of CSFs. Although most organizations know their success factors, few organizations have:

- Worded their success factors appropriately
- Segregated out success factors from their strategic objectives
- Sifted through the success factors to find their critical ones—their critical success factors
- Communicated the CSFs to staff

In these trying times, knowing your CSFs may be the deciding factor in survival. If your organization has not completed a thorough exercise to know its CSFs, performance management cannot possibly function. Performance measurement, monitoring, and reporting will be a random process that creates an

army of measurers producing numerous numbing reports, full of measures that monitor progress in a direction very remote from the organization's strategy.

The process outlined in this chapter crystallizes and communicates the organization's CSFs. The beauty of the method, like all great methods, is that it is a simple methodical process that can be run by in-house staff.

The selection of the CSF is a very subjective exercise, and the effectiveness and usefulness of the CSFs chosen are highly dependent on the analytical skill of those involved. Active leadership by senior management in this step is thus mandatory.

Benefits of Understanding Your Organization's CSFs

Knowing, communicating, and measuring progress in an organization's CSFs is the Holy Grail of management. There are some profound benefits of knowing your CSFs, including:

- It leads to the discovery of an organization's winning KPIs.
- Measures that do not relate to your CSFs or impact them cannot, by definition, be important and thus often can be eliminated.
- Staff members know what should be done as a priority, and thus their daily actions are now linked to the organization's strategies.
- It means reducing the number of reports that are produced throughout the organization as many will now be clearly exposed as nonimportant or irrelevant.
- It encourages clearer summary reports to the board and senior management based on progress within the CSFs.

The next two stories explain the importance of critical success factors for the emergence of KPIs.

Example: An Airline CSF

Lets us revisit the late-plane KPI story. The senior British Airways (BA) official, who set about turning BA around in the 1980s, appointed some consultants to investigate and report on the key measures he should concentrate on to turn around the ailing airline. They came back and said that he needed to focus on one critical success factor: the "timely arrival and departure of airplanes."

I imagine the BA official was not impressed, as everyone in the industry knows the importance of timely planes. However, the consultants pointed out that while he knew that "timely arrival and departure of airplanes" was a success factor, this had not been separated out from all the other success factors and thus staff members were trying to juggle too many things. The consultants were able to show that the timely arrival and departure of planes impacts nearly all the balanced scorecard (BSC) perspectives of an airline.

Once the consultant's analysis proved that "timely arrival and departure of planes" was at the top (see Exhibit 7.1), all the consultants needed to do was to ascertain what measure to focus on. Was it timely planes or late planes? Analysis would have pointed quickly to selecting planes that were late over a certain time, and this led to the establishment of the late-planes screen, which would have resembled something like Exhibit 7.2.

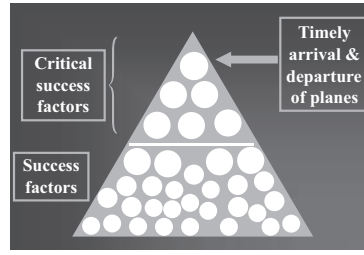


EXHIBIT 7.1 Hierarchy of Success Factors: Airline

Late planes over 2 hours

Time:

Flight number	Statistics of last stop: Arrival late by	Departure late by	Time added	Region manager's name	Current time at location	Contact details: Work	Mobile	Home	No. of late planes over 1 hour: Last 30 days	30-day ave. of last 3 months	30-day ave. of last 6 months
BA1243	1:40	2:33	0:53	Pat Carruthers	18:45	xxxxx	xxxxx	xxxx	4	3	4
BA1598	1:45	2:30	0:45	xxxxxxx	19:45	xxxxx	xxxxx	xxxx	2	3	4
BA12	1:45	2:27	0:42	xxxxxxx	20:45	xxxxx	xxxxx	xxxx	4	4	5
BA146	1:45	2:24	0:39	xxxxxxx	21:45	xxxxx	xxxxx	xxxx	5	4	4
BA177	1:45	2:21	0:36	xxxxxxx	22:45	xxxxx	xxxxx	xxxx	2	4	3
BA256	1:45	2:18	0:33	xxxxxxx	23:45	xxxxx	xxxxx	xxxx	5	4	5
BA1249	1:45	2:15	0:30	xxxxxxx	0:45	xxxxx	xxxxx	xxxx	2	4	3
Total	7 planes										

EXHIBIT 7.2 Intranet 24/7 Report Showing Late Planes with Some Historic Context

This late-plane measure was later credited with turning the company around. Lord King would have needed some contextual information so that the manager in question could not simply say "It is an isolated incident."

Example: A Freight Company

Revisiting the freight company story, the CEO realized that a critical success factor for its business was "trucks leaving on time and as close to 100% capacity as can be" (see Exhibit 7.3). Having looked at all the success factors, including retention of staff, delivery in full and on time, and "stay, say, strive" engagement with staff, the CEO knew that one success factor rose above all others.

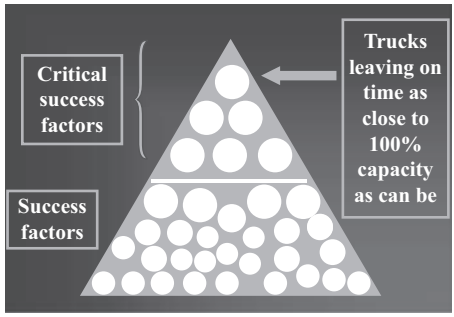


EXHIBIT 7.3 Hierarchy of Success Factors: Distribution Company

The CEO now told dispatch staff members what their primary activity was: "maximization of the truck and trailer fleet." Dispatch staff members were now asked not to simply follow customer dispatch dates but to see which dispatches need to be moved and to work with customers to amend their delivery dates to create a win-win situation.

Relevant Success Factors

Next we list some relevant success factors (SFs) for these turbulent times:

- Supporting local businesses.
- Delivering in full, on time, all the time, to our key customers.
- Prioritizing all activities that will collect cash quickly from major accounts.
- Finding better ways to do the things we do everyday.
- Maintaining a safe, happy, and healthy workplace.
- Implementing innovative ideas from staff quickly.
- Finishing what we start.
- Starting only value-adding projects.
- Selling a greater share of our profitable products to our key customers.
- Increasing repeat business from key customers.
- Encouraging our key customers to be active advocates for our business.
- Increasing adaptability and flexibility of staff.
- Attracting quality staff to the organization.
- Maintaining a "stay, say, strive" engagement with staff.
- Maintaining regular recognition of staffs' contribution.

This is an extract from the success factors list in Appendix 7E.

Notice that these SFs are all relatively specific. If told these success factors, staff members would understand what was expected of them. I believe all correctly worded SFs should be understandable to a 14-year-old. I call it the 14-year-old test.

You need to avoid wording SFs as broad statements whose meaning is not clear to employees. In other words, such factors would fail the test of being able to be understood by a

14-year-old. Examples that are too broad to be a success factors include:

- Increased customer satisfaction
- Increased profitability
- Maximizing the use of our most important resource: our people
- Optimization of working capital
- Increasing the gross margin
- Optimal utilization of assets and resources

Step 6: Identifying Organization-wide Critical Success Factors

Step 6 in the 12-step process is identifying organization-wide critical success factors. Better practice suggests that organizational CSFs should be limited to between five and eight regardless of the organization's size. However, for a conglomerate, the CSFs will be largely industry specific (e.g., the CSFs for an airline are different from those for a retail record chain store). Thus, there would be a collection of CSFs in the conglomerate greater than the suggested five to eight.

The relationship between CSFs and KPIs is vital, as illustrated in Exhibit 7.4. If you get the CSFs right, it is very easy to find your winning KPIs (e.g., once the "timely arrival and departure of planes" CSF was identified, it was relatively easy to find the KPI— "planes over 2 hours late"— for a well-known airline).

A number of characteristics of CSF factors are worth dwelling on. Critical success factors:

- Are worded so a 14-year-old can understand them and run the company

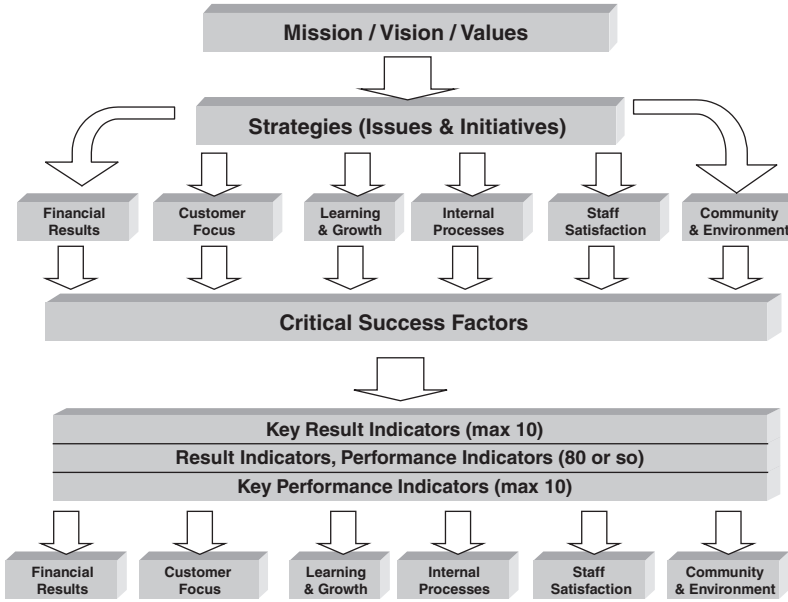


EXHIBIT 7.4 How CSFs and KPIs Fit Together and Link to Strategy

- Will be no surprise to management and the board as they will have talked about them as success factors
- Apply to more than one balanced scorecard perspective (e.g., the timely arrival and departure of planes impacts nearly all the BSC perspectives of an airline)
- Have a great influence on other success factors
- Are focused in a precise area rather than being the bland statements that strategic objectives often are

Key Tasks for Identifying Organization-wide Critical Success Factors

In order to find our CSFs, we first need to know our SFs. When you first investigate SFs, you may come up with 30 or so issues

that can be argued are critical for the continued health of the organization. The second phase of thinning them down is the key to successful performance management, the alignment of daily activities to strategy.

The KPI team will need to incorporate these four tasks within the work it performs in this step:

Task 1: Determining the Already Identified Success Factors. Review all the strategic documents in your organization covering the past 10 years. Then extract and develop SFs from these documents. Interview as many of the organization's oracles as you can and all the senior management team (SMT). From this information, you will be able to come up with a list of success factors.

To ensure that you have covered all bases in your search for the existing success factors, see the checklist in Appendix 7A. The KPI team, with the facilitator, should amend this checklist before use to suit the organization and desired approach.

Task 2: Determining the Critical Success Factors Workshop. Invite your oracles from around the company to a two-day workshop. These oracles are the individuals everyone refers you to when you need something answered (e.g., "You need to talk to Pat"). The suggested attendees and agenda are set out in Exhibit 7.5. Work groups of up to seven people, from across different functions, are informed about the new techniques. They are shown an example and then asked to tackle each exercise.

During the workshop, material needs to be updated on the computer, so laptops are required. The results of working out the SFs need to be updated so the next workshop can commence.

EXHIBIT 7.5 Two-Day In-house Workshop on Developing the Critical Success Factors and Preparing the Way to Use Them

Suggested Attendees

- 20 to 40 experienced and knowledgeable staff from all around the organization (operators, administrators, sales staff, production, dispatch, etc.)
- Selection of management from head office including one or two from the senior management team
- All KPI project staff, if one has been set up
- External facilitator, if you have one

Recommended Prework

Attendees to listen to the David Parmenter webcast on "Introduction to Winning KPIs," which can be found on www.bettermanagement.com.

Requirements

Appoint an event secretary to document agreements as they are reached in the workshop. Organize a laptop and flip chart for each work group, a data show projector, two whiteboards, a projector screen, and a lapel microphone for the presenter(s).

Session Outline

Day 1

From 8:30 A.M.	Registration and breakfast
9:00	Opening remarks by CEO: setting the context of the workshop
9:10	The new thinking on key performance indicators: ■ The difference between the four types of performance measures ■ The characteristics of a winning KPI—two stories ■ The 10/80/10 rule for performance measures ■ Importance of knowing your organization's critical success factors ■ A case study on success factors (The CEO and some members of the senior management team may leave after this session.)

EXHIBIT 7.5 (*Continued*)

10:00	**Presentation on success factors.**
10:20	**Commence Workshop 1: Revisiting your organization's success factors.** All work that has been already done in this area will be tabled to attendees (e.g., from a review of the past few years' strategic plans).
10:50	Groups give their feedback on the SFs. ***During this discussion, two staff members update the success factors list and the A3 page (A3 sheet of paper) or whiteboards that have been prepared before the workshop commenced.***
11:10	Presentation on relationship mapping. (See my KPI webcasts on www.bettermanagement.com.)
11:20	**Commence Workshop 2: Relationship mapping using an airline's success factors.** ***During this workshop, two staff members continue updating the success factors list, etc.***
11:45	**Commence Workshop 3: Finding the organization's top five to eight critical success factors** (using the work from Workshop 1).
12:45	Lunch.
1:30	**Recommence Workshop 3: Finding the organization's top five to eight critical success factors** (using the work from Workshop 1).
2:00	Feedback from work groups on their top 5 success factors. Use a summary table, as set out in Exhibit 7.3.
2:20	Demonstrate brainstorming of a critical success factor. (An example is on www.bettermanagement.com.)
2:40	**Commence Workshop 4: Brainstorming performance measures on the CSFs for the organization.** One CSF is allocated to each work group.
3:15	Afternoon coffee break.
4:00	Present how a team scorecard can look. (See my KPI webcasts on www.bettermanagement.com.)

(*Continued*)

EXHIBIT 7.5 Two-Day In-house Workshop on Developing the Critical Success Factors and Preparing the Way to Use Them (*Continued*)

4:00	**Commence Workshop 5: Brainstorm the measures for your team scorecard.** Brainstorm the relevant CSFs for measures that will help focus the team in working successfully in the CSFs.
5:00	End of Day 1 for participants.
Day 2	
From 8:15 A.M.	Breakfast
9:00	Question-and-answer session, the Corporate Planning Team presents the agreed CSFs and we ascertain which ones have already been brainstormed and which have not.
9:20	**Recommence Workshop 5: Brainstorm performance measures for your team scorecard based on the CSFs**. The teams focus on the critical success factors they have not worked with and any other relevant SFs. (The team scorecard will take a further eight weeks to finalize.)
10:00	Feedback from work groups.
10:20	Presentation on reporting performance measures. (See my KPI webcasts on www.bettermanagement.com.)
10:50	**Commence Workshop 6: Design a daily/weekly KPI report for the senior management team.** (These reports will require further fine-tuning.)
11.40	Groups give their feedback.
12:10	**Revisit Workshop 4: Brainstorming performance measures on all CSFs for the organization.** Allocate the CSFs, ensuring that they have been brainstormed at least by two separate teams.
1:00	Lunch.
1:45	Groups give their feedback.
2:00	**Commence Workshop 7: Design a dashboard for the board.** (These reports will require further fine-tuning.)

EXHIBIT 7.5 (*Continued*)

2:40	Groups give their feedback.
3:00	Afternoon coffee break.
3:15	**Commence Workshop 8.** Groups prepare a brief PowerPoint presentation (three or four slides covering new measures, measures that are to be discarded, their next steps, implementation timeline, and team meeting date).
4:00	Groups give their feedback via a brief PowerPoint presentation (two or three slides). (CEO joins the session.)
4:50	Closing remarks by CEO.
5:00	End of Day 2 of workshop.

To help you run this workshop in house, I have prepared detailed instructions in Appendices 7A to 7E worksheets for you.

Task 3: Finalize CSFs after Wide Consultation. Once draft CSFs have been prepared, review them with the SMT, the board of directors, identified stakeholders (relevant CSFs with key customers and key suppliers), an employee focus group, and the employee union representatives.

The KPI team should prepare and deliver a presentation on the organization's CSFs to facilitate discussion and agreement with the SMT. The presentation will cover:

- The top five to eight CSFs
- Process to discuss these CSFs with employee representatives
- How the CSFs are to be conveyed to staff
- Ramifications on existing performance measurement
- What 24/7, daily, or weekly measures, if any, are currently being collected in this area

- Permission to proceed to next stage (selection of the team and organizational measures)

Task 4: Explain the CSFs to Employees. Once final CSFs have been agreed on, communicate them to all management and staff. If CSFs are not going to be discussed with employee representatives and conveyed to staff, the benefits of knowing the CSFs will be adversely affected. If staff are told what is important, they can align their daily activities to maximize their contribution.

Shortcut: Communicate the CSFs in the Staff Road Show/Team Scorecard Workshop

Staff will need to know the CSFs before they brainstorm the measures for their team scorecards. As a priority, teams are asked to see what activities they should do that will positively support the CSFs. Teams will brainstorm both CSFs and SFs looking for relevant performance measures.

Finding the CSFs through a Relationship Mapping Process

There has been much discussion about documenting cause-and-effect relationships. The relationship mapping process is a derivative of the cause-and-effect process, and is a quicker process. When using a relationship mapping process, teams need to be careful not to get sidetracked by it. It can become an interesting intellectual process going nowhere.

The aim of the relationship mapping process is to understand and document likely human behavior (e.g., if a late plane

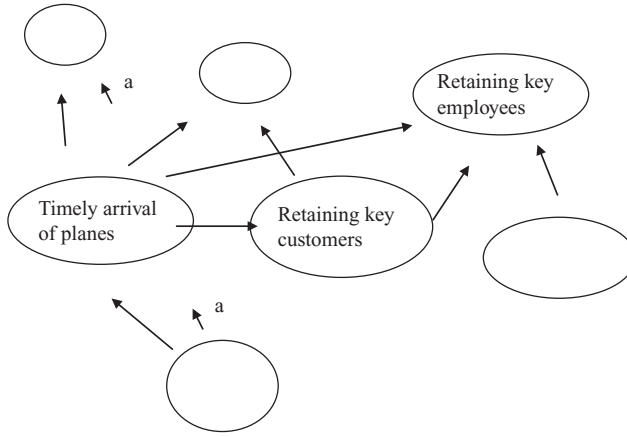


EXHIBIT 7.6 CSF Relationship Mapping

is brought back on time, it will lead to. . . . The likely actions of staff will be to . . .).

A good way to find your five-to-eight critical success factors is to draw all your SFs on a large whiteboard and draw in all the linkages, showing which SF affects which SF. Take care in drawing the arrows the right way. In a recent workshop, we were handling over 40 SFs. Thus, the arrows were shown as leaving and entering, with a letter to identify them by. (See Exhibits 7.6 to 7.9 for examples of this mapping.) The SFs with the most arrows out are the ones with the greatest influence and are thus more likely to be the critical ones, the CSFs.

How I Organize the Critical Success Factor Workshop

The main thing to watch out for is that the workshops create material that needs to be used in subsequent workshops.

Selling the Workshop to the CEO

You need to sell the need for change based on the CEO's emotional drivers. In preparing for the selling process to



EXHIBIT 7.7 Example of a CSF Relationship Mapping Exercise Using a Flip Chart

the CEO, listen to my webcasts, "Finding Your Critical Success Factors" and "Revitalizing a Failing Scorecard," on www .bettermanagement.com. In those webcasts, I cover the sales process in detail and suggest a selling pitch. The CEO will need to send out an invite. (See Appendix 7B for an example.)

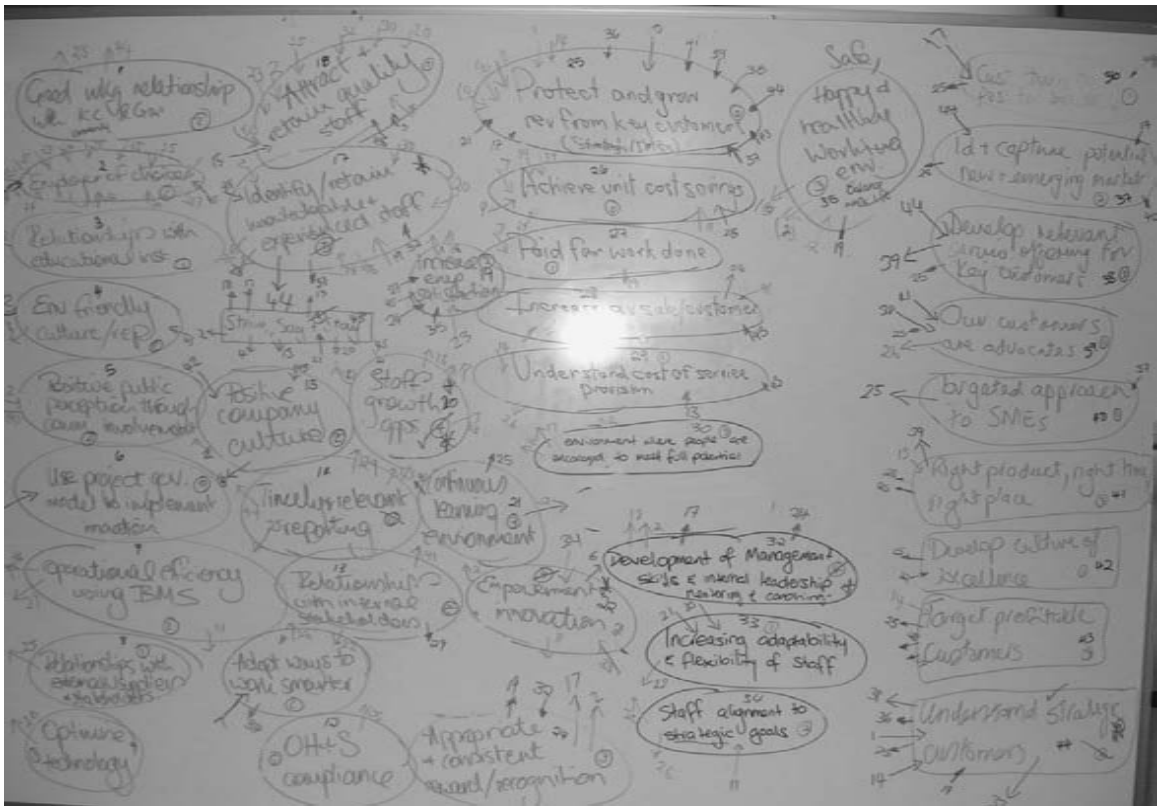


EXHIBIT 7.8 Example of a CSF Relationship Mapping Exercise Using a Whiteboard

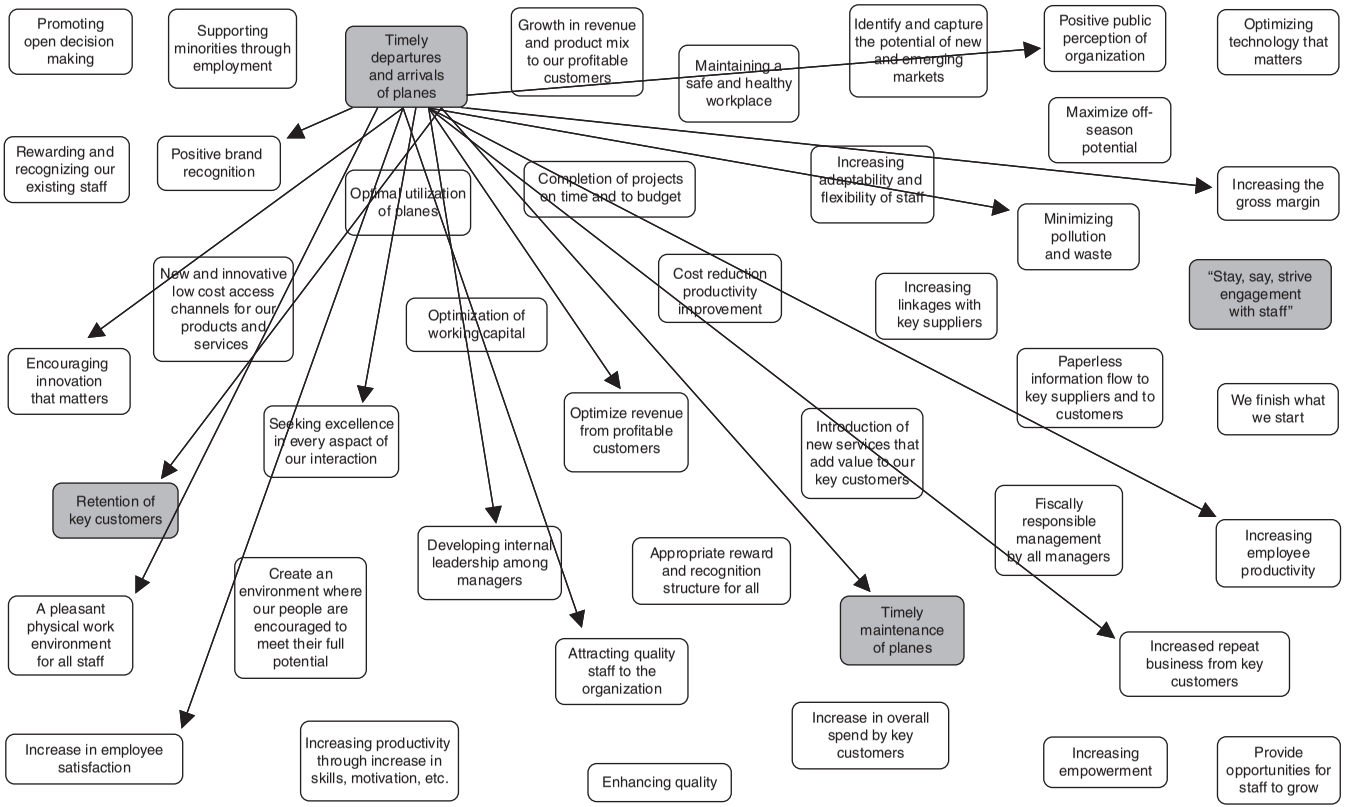


EXHIBIT 7.9 Example of a CSF Relationship Mapping Exercise Using an A3 Sheet of Paper

Getting the Workshop Administration on Track

The workshop administration is best handled by a staff member who has done this before. The success of an event is in the details. (See Appendix 7C for a checklist.)

Preparing the Success Factor List

As mentioned in task 1, it is important to find the success factors that have already been discussed in the past. I would review whatever strategic documents are readily available that were written in the past 10 years. Then I would carry out the interview of the organization's oracles and those available senior management team (SMT) members.

I then use the checklist in Appendix 7A and amend to reflect my findings. I always ask one member of the SMT to review before the checklist is used in the workshop.

Getting the Success Factor List Ready for Workshop 3

The output of workshop #1 will provide feedback to modify some of these SFs. After workshop #1 two or three staff members update the SF list from the feedback received in workshop 1 and then list the proposed SFs on an A3 sheet of paper or on a whiteboard so that staff members can commence workshop #3 without delay.

I tend to use an A3 sheet of paper as it saves time in writing out the success factors on the whiteboards. Each team of 5 to 7 people needs either an A3 sheet of paper or a whiteboard containing all the agreed success factors.

The team designated to summarize the output from workshop #1 will have only 40 minutes, so preparation beforehand is important. We cannot afford any delays in starting workshop #3.

Checking that Each Team Understands How the Relationship Mapping Works

It is easy for teams to get the arrows the wrong way around. We are looking at cause and effect. It is understandable that some relationships are two-way; in these cases, we draw two arrows.

I get all workshop attendees started doing an airline example in workshop #2, as shown in Exhibit 7.9. This is a particularly good exercise as all attendees understand the fundamentals of an airline industry. I assign attendees one of the shaded SFs, ones I know are important to an airline. It is good to have different work groups doing the same success factor. I do a demonstration and draw some arrows out to SFs that are influenced. I then get the attendees started. After 15 minutes I ask, "How many arrows out have you got?" and we collate results. The beauty of this exercise is that it does not matter that one team has 10 and another 16 arrows out for the same success factor. Each team will have a different materiality level when establishing the arrows (e.g., one team may find 20 arrows out from the "timely arrivals and departures of planes" success factor; other groups may find 10, 12, or 15 arrows out).

Mapping the Relationships of the Organization's Success Factors (Workshop 3)

In workshop #3 we hand the A3 sheet of paper or wheel in the whiteboards which have been prepared with the SFs from workshop #1, as mentioned already. We ask the teams to separately map the relationships. I ask one team to first concentrate on those relationships in the first third of the A3 sheet of paper/whiteboard, the next team the middle third, and so on.

Each team is told to take one SF and then draw the areas where it impacts on another SF across the whole organization, as shown in Exhibit 7.9. This exercise begins slowly and then becomes quicker as teams remember where the SFs are positioned.

It is good to encourage teams to allow members to draw a relationship in without the need to debate it so teams have members simultaneously drawing arrows reflecting the cause-and-effect relationships.

Handling the Variety Involved

I ask each team to give me its top five success factors, the ones with the most arrows out. They may have SFs with the same number of arrows out, so I still limit them to their top five (e.g., 1st, 2nd,=3rd,=3rd, 4th or =1st,=1st,=2nd,=2nd, 3rd). I list their scores on a summary chart (see Exhibit 7.10) to see which SFs selected are the most significant. I avoid the temptation to use a weighting; doing so would be trying to add certainty to a subjective process. I believe that the SFs rated in the top five by most or all of the teams are most likely to be the organization's CSFs.

Running the Workshop Exercises

Every facilitator has his or her own style. A good teaching technique is to always demonstrate what is intended to the whole group. Hand out the written instructions, as set out in Appendix 7D, and then read the instructions twice.

I always ask for a volunteer chairperson. I say, "If you do not want to give feedback to the whole group, volunteer to be the chairperson, and then you can delegate the feedback task to someone else."

EXHIBIT 7.10 Summarizing the Teams' Top Five Success Factors from the Mapping Process

	Team 1	Team 2	Team 3	Team 4	Team 5	Team 6	# of times selected
Be seen in the community as an employer of first choice	=5		=4			=1	**3**
Supporting minorities through employment							
Delivery in full on time, all the time to our key customers	1	=3	1	1	1	=2	**6**
Finding better ways to do the things we do every day	=5						**1**
Optimizing technology that matters			2		4		**2**
Completion of projects on time and to budget							
Encouraging innovation that matters		1		4			**2**
Enhancing quality		=3					**1**
Timely, accurate, decision-based information							
We finish what we start	4	2	=4	2	3	=2	**6**
Reducing supply chain costs		=3	=5		2	=1	**4**
"Stay, say, strive engagement with staff"	2		3	3	5	3	**5**
Increase in employee satisfaction	3						**1**
Appropriate reward and recognition structure for all				5			**1**
Increasing recognition throughout the organization							
A pleasant physical work environment for all staff							

If you have set up the workshop properly, you will find that the work groups start this exercise quickly. A sign of success is that you can leave the room for 15 minutes or so, allowing the work groups to make their own way.

Testing the CSFs

After Day 1 of the workshop is over, the KPI project team test the list of the top five to eight critical success factors against the six BSC perspectives and the organization's strategic objectives. (See Exhibits 7.11 and 7.12.)

In Exhibit 7.12, the shortlisted CSFs are not impacting strategic objective #4. Thus, we need to ask whether we need to add another CSF, reword a CSF so it is more encompassing, or question whether strategic objective #4 is correct in the first place.

EXHIBIT 7.11 How Do Your Top Five to Eight CSFs Cover the Six Perspectives of Performance?

	Perspectives					
Critical success factor	Financial	Customer focus	Staff satisfaction	Learning & growth	Internal process	Environment & community
E.g., timely arrival and departure of planes	✓	✓	✓	✓	✓	possible
xxxxxx		✓			✓	✓
xxxxx	✓					
xxxxx	✓			✓		
xxxx			✓		✓	
xxx	✓	✓		✓		✓

EXHIBIT 7.12 Testing that Your Top Five to Eight CSFs Link to Your Strategic Objectives

Critical success factor	Strategic Objectives (SO)					
	SO#1	SO#2	SO#3	SO#4	SO#5	SO#6
E.g., timely arrival and departure of planes	√		√			possible
1. xxxxx		√			√	√
2. xxx	√					
3. xxxxx			√			
4. xxx	√	√			√	
5. xxxxx			√			√
6. xxxx			√			
7. xxxx	√		√		√	

Note

1. "Key Performance Indicators Manual: A Practical Guide for the Best Practice Development, Implementation and Use of KPIs" (Aus-Industries 1996). Now out of print.

Appendix 7A: Where to Look for Your Success Factors

In your search for the organization's SFs, have you reviewed the:		
Vision statement?	☐ Yes	☐ No
Mission statement?	☐ Yes	☐ No
Values statement?	☐ Yes	☐ No
Strategic plans over the past 5 to 10 years?	☐ Yes	☐ No

In your search for the organization's SFs, have you covered:		
An analysis of economic, social, political, environmental, and technological trends that will shape the general context in which the organization operates?	☐ Yes	☐ No
Analysis of the markets in which the organization operates and identification of future trends and developments?	☐ Yes	☐ No
Review of current expectations and satisfaction levels of the organization's *key* customers?	☐ Yes	☐ No
Analysis of likely *future* customer expectations and requirements?	☐ Yes	☐ No
Review of current supplier performance and likely future requirements, and the status of those relationships or partnerships?	☐ Yes	☐ No
Analysis of the financial status of the organization and the available capacity to meet future requirements?	☐ Yes	☐ No
Review of the human resource capabilities of the organization, taking into account the future requirements identified?	☐ Yes	☐ No
Review of the existing organizational culture and its appropriateness for meeting the anticipated challenges?	☐ Yes	☐ No
Have you checked to ensure that the wording of each SF is as specific as possible?	☐ Yes	☐ No
Have you looked for missing SFs?	☐ Yes	☐ No
Have you short-listed between five and eight CSFs?	☐ Yes	☐ No
Have you used the workshop processes suggested?	☐ Yes	☐ No
Do the CSFs address all six of the perspectives?	☐ Yes	☐ No
Have you tested the short-listed CSFs to ensure that, between them, they link back to *all* the organization's strategic objectives?	☐ Yes	☐ No

Appendix 7B: Letter Invite from the CEO

Date:

Invitation to Attend a Two-Day Critical Success Factor Workshop

Understanding, measuring, and managing critical success factors (CSFs) are increasingly important to ensure the survival and future prosperity of organizations in these times of economic recession and uncertainty.

Most organizations, like ours, know their success factors. However, few organizations have:

- Worded their success factors appropriately.
- Segregated their success factors from their strategic objectives.
- Sifted through the success factors to find their critical ones—their CSFs.
- Communicated the CSFs to staff.

It is the CSFs, and the performance measures within them, that link daily activities to the organization's strategies. We have thus asked [name] to run a two-day workshop to help us to separate the CSFs from our success factors. During this workshop we will also commence brainstorming measures within these success factors. [Name] will introduce the new thinking on Winning KPIs based on the work of David Parmenter from his book, which is a best seller in performance measurement.

Our aim is to use fewer performance measures and to measure only what is important and to measure these important measures more frequently.

We are seeking a group selected from experienced staff covering the regions and head office and including the different roles from administrators to the senior management team. I believe you would offer much to this exercise and request that you set aside the time to attend.

I welcome your support on this important project. The project teams of [person 1], [person 2], [person 3], and [person 4] will need and appreciate your support.

Please confirm availability to attend this workshop after having discussed it with your manager. I look forward to meeting you at the workshop.

Kind regards,
CEO

Appendix 7C: Success Factors Workshop Planning Checklist

Scheduling the date, venue, and attendees:		
Have you obtained the CEO's commitment?	☐ Yes	☐ No
Have you an agreed list of the attendees?	☐ Yes	☐ No
Has a letter gone out from the CEO inviting the selected staff?	☐ Yes	☐ No
Has the CEO and senior management diaries been reviewed?	☐ Yes	☐ No
Book venue and equipment:		
Checked adequacy of room?	☐ Yes	☐ No
Finalized costs?	☐ Yes	☐ No
Organized flip charts (one for every six to seven staff)?	☐ Yes	☐ No

(*Continued*)

Organized lapel microphone and speakers?	☐ Yes	☐ No
Lectern?	☐ Yes	☐ No
Two whiteboards?	☐ Yes	☐ No
Booked accommodations for attendees at or near venue?	☐ Yes	☐ No
Organized meals, including any special dietary requirements?	☐ Yes	☐ No
Layout of room?	☐ Yes	☐ No
Workshop prework:		
Prepared a list of the current understood success factors?	☐ Yes	☐ No
Set up the draft success factors in a word document, landscape format, placing each SF in a box (e.g, like the airline example in Exhibit 7.9) so it can be updated quickly for workshop #3?	☐ Yes	☐ No
Sent out the workshop timetable and prereading?	☐ Yes	☐ No
Organizing the workshop facilitators:		
Agreed on fees?	☐ Yes	☐ No
Booked flights?	☐ Yes	☐ No
Asked facilitator to familiarize him-/herself with this chapter and material on www.bettermanagement.com?	☐ Yes	☐ No
Booked accommodations for facilitator at or near venue?	☐ Yes	☐ No
Organized taxi to meet and greet facilitator at airport?	☐ Yes	☐ No
During the process of finding the success factors, have you consulted with:		
Employee representatives?	☐ Yes	☐ No
Key customers?	☐ Yes	☐ No
Key suppliers?	☐ Yes	☐ No
The board?	☐ Yes	☐ No

Appendix 7D: Workshop Instructions

Exercise 1: Revisiting Some of Your Performance Measures

Learning Outcome

- Restating Measures in the Current and Future Timeframes

Steps	Time
Working by yourself, list a couple of measures you currently use and restate them in the current and future context. Use the attached worksheet for documenting your work. For example, number of late planes last week becomes *late planes in the air over 2 hours late (current)* and *number of initiatives to be implemented this month to target areas that are causing late planes (future).*	10 mins

Workshop 1: Revisiting [Your Company's] Success Factors

Learning Outcomes

- Short-list the success factors (SFs) that are relevant.
- Reword the SFs to make them more relevant and pass the 14-year-old test (a 14-year-old would understand the SFs and what was needed to improve performance).

Steps	Time
1. Select a chairperson. His/her role is to ensure everybody understands the outcome, understands the instructions, and has an opportunity to contribute.	
2. Look at the SFs in the perspectives you have been assigned. Is the SF wording as specific as possible? Are any SFs missing?	20 mins
3. Each group reports back on their SFs, and a master list is prepared.	5 mins for each group

Workshop 2: Relationship Mapping Using an Airline's Success Factors

Learning Outcome

- Learn how to do relationship mapping.

Steps	Time
1. Select a chairperson. His/her role is to ensure everybody understands the outcome, understands the instructions, and has an opportunity to contribute.	
2. Using the list of airline success factors, map the relationships between the success factors assigned to your group. Draw the arrow, ensuring the direction of influence is clearly visible. If a relationship is both ways, draw two arrows. Start this process in the designated area of the SF sheet assigned to you.	20 mins
3. When you have finished, count the "out" arrows.	5 min

Workshop 3: Perform the Relationship Mapping of [Your Company's] Success Factors

Learning Outcome

- Ascertain the five-to-eight critical success factors that are relevant to [your company].

Steps	Time
1. Select a chairperson. His/her role is to ensure everybody understands the outcome, understands the instructions, and has an opportunity to contribute.	

Steps	Time
2. Using the list of success factors supplied and the relationship-mapping technique, map the relationships between the success factors. Draw the arrow, ensuring the direction of influence is clearly visible. If a relationship is both ways, draw two arrows. Start this process in the designated area assigned to you.	80 mins
3. When you have finished, count the "out" arrows. List the three success factors that have the most arrows going out.	10 mins
4. Each group reports back on the three SFs with the most arrows out.	2 mins for each group

Workshop 4: Brainstorm Performance Measures for the Top Five to Eight CSFs that Have Been Identified

Learning Outcome

- Understand how to brainstorm performance measures.

Steps	Time
1. In your work groups, rotate the chairperson. His/her role is to ensure everybody understands the outcome, understands the instructions, and has an opportunity to contribute.	
2. With the given CSF, brainstorm the likely performance measures.	20 mins
3. Each group reports back on three of the most important measures it has in its CSF.	2 mins for each group

Workshop 5: Brainstorm the Measures for Your Team Scorecard

Learning Outcome

- Redevelop the measures in your team scorecard.

Steps	Time
1. Return to your work groups. (People from the same team have their own group; merge teams of less than three with other small teams.)	
2. Rotate the chairperson. His/her role is to ensure everybody understands the outcome, understands the instructions, and has an opportunity to contribute.	
3. Select the critical success factors that are relevant to your team.	1 min
4. Brainstorm the selected CSFs, checking to see that you have a balance of past, current, and future measures. One person should record the measures on the existing team scorecard template and save in a specified area on the hard drive.	100 mins (split over two sessions)
5. Each work group reports back on two or three measures, stating how it is to be measured, what type of measure it is, how the measure has been fine-tuned. (Please do not discuss measures already covered by other teams.)	3–5 mins per group

Workshop 6: Design a Daily/Weekly KPI Report for the Senior Management Team

Learning Outcome

- Develop some reporting formats for the senior management team.

Steps	Time
1. Back in your work groups, rotate the chairperson. His/her role is to ensure everybody understands the outcome, understands the instructions, and has an opportunity to contribute.	
2. Based on the work of Stephen Few, discussed in the presentation, and the existing [company name] reports, design a new report for management. Think of either a daily or a weekly report, covering progress on a critical success factor. At this point, you do not need to worry about content. One person in the work group should draw the designed report on a flip chart.	20 mins
3. Each work group reports back on the report design and mentions the features that will make it work.	5–10 mins per group

Workshop 7: Design a Dashboard for the Board

Learning Outcome

- Develop innovative graphs for a new dashboard for the board.

Steps	Time
1. In your work groups, use the short-listed CSFs to look for some meaningful KRIs.	20 mins
2. One member of your team is to look around the room at the brainstorming done by others.	
3. Design two graphs for a dashboard for the board. One person in each work group should draft the graph electronically using the template provided.	10 mins
4. Each work group reports back on the design and mentions the features that will make it work.	5–10 mins per group

Workshop 8: Presenting Your Next Steps

Learning Outcome

- Learn from other participants' implementation plans.

Steps	Time
1. Working in teams (policy, accounting, dispatch, production, sales, etc.), select a chairperson. His/her role is to ensure everybody understands the outcome, understands the instructions, and has an opportunity to contribute.	
2. Look at your existing team scorecards and analyze the measures included in them. (What changes do we need to make? What is missing?)	10 mins
3. Plan your next steps, and prepare a few slides to present to the senior management team.	40 mins
4. Teams present their next steps when the senior management rejoins the group. (There may be time for only four or five presentations.)	3 mins for each team

Appendix 7E: Success Factor Matrix

Please note that success factors (SFs) do not neatly fit within a perspective; often they can be in more than one perspective.

Success factor	Finance	Resources	Retail	Services	Govt.	Not for Profit	Manuf.
SF environment and community							
Be seen in the community as an employer of first choice	Y	Y	Y	Y	Y	Y	Y
Supporting minorities through employment					Y		
Minimizing pollution and waste		Y					Y
Supporting educational institutions (share knowledge via organization's Web site)				?	Y		
Encouraging voluntary assistance by staff to the local community		Y		Y	Y		Y
Recognition by industry for environmental endeavors		Y	Y	Y	Y		Y
Good working relationships with key community organizations	Y	Y	Y	Y			Y
Supporting local businesses (% of purchases to have local content)		Y			Y		Y
Enhanced community interaction (favorable reputation in the community)	Y	Y	Y	Y	Y	Y	Y

(*Continued*)

Success factor	Finance	Resources	Retail	Services	Govt.	Not for Profit	Manuf.
Environmentally friendly culture and reputation (use of environmentally friendly materials)		Y	Y				Y
SF for internal process							
Delivery in full on time, all the time to our key customers	Y	Y	Y	Y	Y	Y	Y
Finding better ways to do the things we do every day	Y	Y	Y	Y	Y	Y	Y
Product leadership in industry	Y		Y	Y	Y		Y
Maintaining a safe and healthy workplace		Y	Y				Y
Enhancing operational efficiency (e.g., reducing cost per transaction)	Y	Y	Y	Y	Y	Y	Y
Increasing linkages with key suppliers	Y	Y	Y	Y	Y	Y	Y
Optimizing technology that matters	Y	Y	Y	Y	Y	Y	Y
Completing projects on time and to budget	Y	Y	Y	Y	Y	Y	Y
Encouraging innovation that matters	Y	Y	Y	Y	Y	Y	Y
Enhancing quality	Y	Y	Y	Y	Y	Y	Y
Occupational health and safety legislation compliance	Y	Y	Y	Y	Y	Y	Y
Timely, accurate, decision-based information	Y	Y	Y	Y	Y	Y	Y
We finish what we start	Y	Y	Y	Y	Y	Y	Y

We administer change management processes successfully	Y	Y	Y	Y	Y	Y	Y
Timely maintenance of assets	Y	Y	Y	Y	Y	Y	Y
Paperless information flow with both our key suppliers and key customers	Y	Y	Y	Y	Y	Y	Y
SF for finance							
Reducing supply chain costs		Y	Y	Y	Y	Y	Y
Optimizing revenue from profitable customers	Y	Y	Y	Y			Y
Growth in revenue and product mix to our profitable customers (new products, new applications, new customers and markets, new relationships, new product and service mix, new pricing)	Y	Y	Y	Y			Y
Cost reduction/productivity improvement (reduce unit cost, improve channel mix, reduce operating expenses)	Y	Y	Y	Y	Y		Y
Improved risk management (better forecasting, broaden revenue base, increase brand awareness, etc.)	Y	Y	Y	Y	Y	Y	Y
Increase in overall spend by key customers (getting a larger slice of business from our important customers)	Y	Y		Y			Y

(*Continued*)

Success factor	Finance	Resources	Retail	Services	Govt.	Not for Profit	Manuf.
Increased repeat business from key customers (leading to increasing market share)	Y	Y		Y			Y
Fiscally responsible management by all managers	Y	Y	Y	Y	Y	Y	Y
Prioritizing all activities that will speed up cash collection of major accounts	Y	Y	Y	Y	Y	Y	Y
Maximize off-season potential			Y	Y			Y
Being a preferred supplier for key customers (more success at tenders, more nontender opportunities)	Y	Y	Y	Y			Y
Recovery of chargeable hours	Y			Y			
SF for customer focus							
Delivery in full on time, all the time to our key customers	Y	Y	Y	Y	Y	Y	Y
Introduction of new services that add value to our key customers	Y	Y	Y	Y			Y
Increased repeat business from our key customers (increased % of sales from top 10% of customers)	Y	Y	Y	Y		Y	Y

Improve turnaround time from order to delivery for our key customers	Y	Y	Y	Y			Y
Our customers being active advocates for our business (especially our key ones)	Y	Y	Y	Y	Y	Y	Y
Identify and capture the potential of new and emerging markets	Y	Y	Y	Y			Y
New and innovative low-cost access channels for our products and services	Y	Y	Y	Y			Y
Getting the right product in the right place at the right time	Y	Y	Y	Y	Y	Y	Y
Seeking excellence in every aspect of our interaction	Y	Y	Y	Y	Y	Y	Y
Acquisition of profitable customers	Y	Y	Y	Y			Y
Positive brand recognition	Y	Y	Y	Y		Y	Y
SF for learning and growth							
Create an environment where our people are encouraged to meet their full potential	Y	Y	Y	Y	Y	Y	Y
Create an environment where our people are encouraged to accept their role in meeting our challenges	Y	Y	Y	Y	Y	Y	Y

(*Continued*)

Success factor	Finance	Resources	Retail	Services	Govt.	Not for Profit	Manuf.
Culture of continued learning	Y	Y	Y	Y	Y	Y	Y
Developing internal leadership among managers	Y	Y	Y	Y	Y	Y	Y
Increasing employee productivity	Y	Y	Y	Y	Y	Y	Y
Developing strategic skills within management	Y	Y	Y	Y	Y	Y	Y
Increasing adaptability and flexibility of staff	Y	Y	Y	Y	Y	Y	Y
More open access for staff to strategic information	Y	Y	Y	Y	Y	Y	Y
Improved alignment of individual and organizational goals	Y	Y	Y	Y	Y	Y	Y
Increasing empowerment (delegated decision making)	Y	Y	Y	Y	Y	Y	Y
Increasing productivity through increase in skills, motivation, etc.	Y	Y	Y	Y	Y	Y	Y
Multifaceted support to employees' growth (coaching, mentoring, managed by skilled managers, succession planning, project opportunities)	Y	Y	Y	Y	Y	Y	Y
Innovative ideas from staff encouraged and adopted quickly	Y	Y	Y	Y	Y	Y	Y
Research and development and knowledge rewarded and encouraged	Y	Y	Y	Y	Y	Y	Y

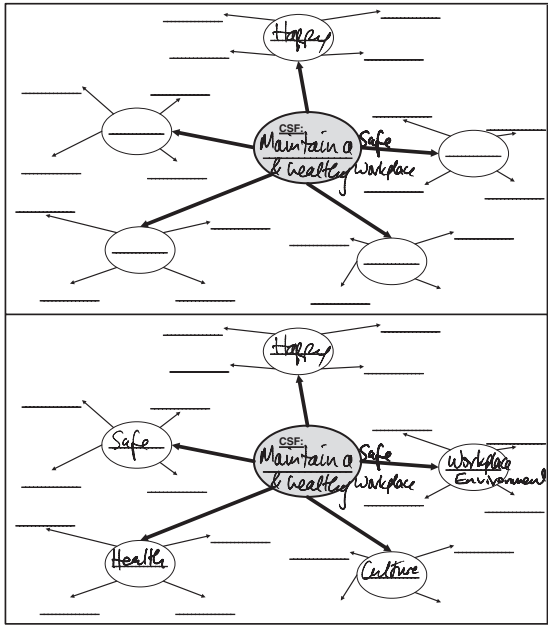
SF employee satisfaction							
Rewarding and recognizing our existing staff	Y	Y	Y	Y	Y	Y	Y
Attracting quality staff to the organization	Y	Y	Y	Y	Y	Y	Y
Stay, say, strive engagement with staff	Y	Y	Y	Y	Y	Y	Y
Increase in employee satisfaction	Y	Y	Y	Y	Y	Y	Y
Positive company culture (supported by survey, active and well-supported social club. etc.)	Y	Y	Y	Y	Y	Y	Y
Provide opportunities for staff to grow	Y	Y	Y	Y	Y	Y	Y
Supporting balance in working and home life (respect different working styles/working hours)	Y	Y	Y	Y	Y	Y	Y
Appropriate reward and recognition structure for all	Y	Y	Y	Y	Y	Y	Y
Continuous learning environment	Y	Y	Y	Y	Y	Y	Y
Promoting open decision making	Y	Y	Y	Y	Y	Y	Y
Increasing recognition throughout the organization (e.g., recognition being a daily activity for managers and staff, celebrating success, etc.)	Y	Y	Y	Y	Y	Y	Y
A pleasant physical work environment for all staff	Y	Y	Y	Y	Y	Y	Y

CHAPTER 8

Brainstorming Performance Measures

Exhibit 8.1 shows how I demonstrate brainstorming of measures to attendees. There is a webcast on www.better-management.com; search under "Parmenter" and invest 40 minutes listening to the "Sorting the Wheat from the Chaff" webcast to fully understand these diagrams.

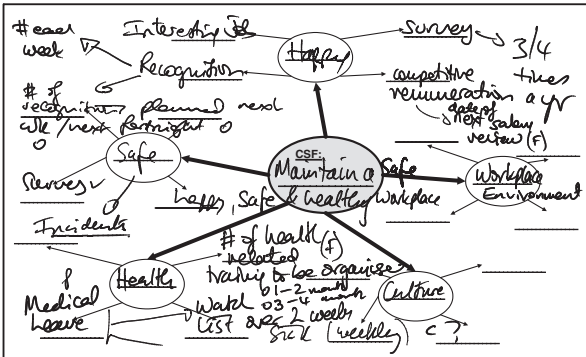
EXHIBIT 8.1 Brainstorming Performance Measures Diagrams



I ask what aspects or areas should be measured in this success factor. No suggestion is wrong.

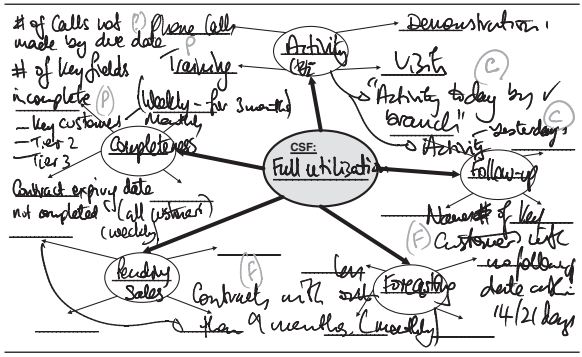
I always aim for at least five aspects. Look for key words in the CSF wording.

EXHIBIT 8.1 Brainstorming Performance Measures Diagrams (*Continued*)



We start brainstorming the likely measures, which include:

- Number of recognitions given last week
- Number of planned recognitions for next week
- Number of health and safety incidents last week
- Number of health-related trainings to be run in the two months and months 3–4



The next stage is to mark the measures that are:

- Past measures (number of calls made by due date, number of incomplete fields in the database)
- Current measures (yesterday's sales activity, today's sales visits)
- Future measures (number of key customers with no follow-up date within the next 14/21 days)

CHAPTER 9

Implementation Variations for Small-to-Medium Enterprises and Not-for-Profit Organizations

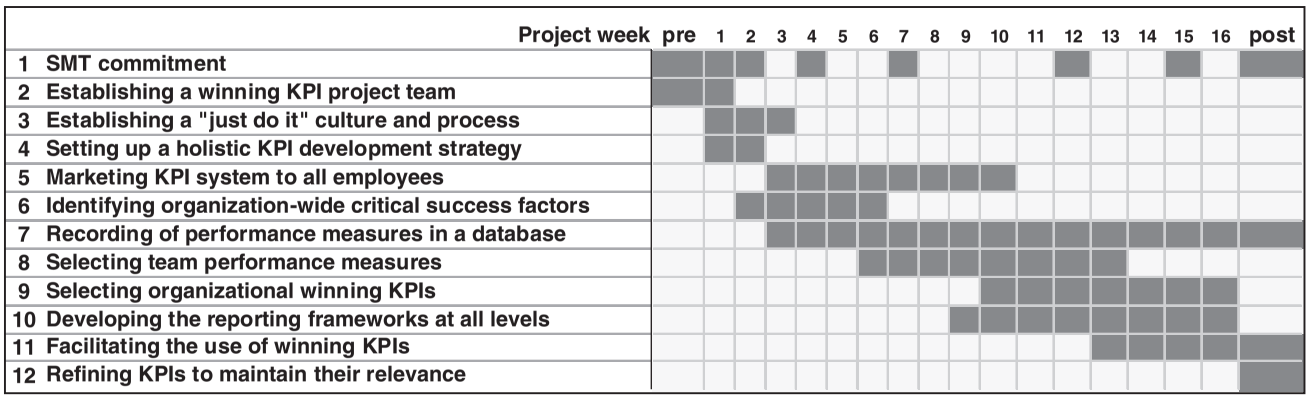
When I first wrote about the 12-step process, I set out an indicative implementation Gantt chart (see Exhibit 9.1). Attendees from small-to-medium enterprises (SMEs) often request my advice on a simpler truncated process.

Small-to-Medium Enterprises

For SMEs, it is possible to truncate and merge the 12 steps into eight phases. The major changes to the implementation, as shown in Exhibit 9.2, are:

- The "senior management team (SMT) commitment" and "setting up a holistic KPI strategy" are merged together. The SMT ensures that the timing is right before the project starts (e.g., no major projects or events will sidetrack the SMT in the next six weeks).
- Kick-start the process by having a two-day critical success factor (CSF) workshop. This helps sell the concept to those attending and delivers the CSFs to management and the board. Even if the project is canceled at this stage, much would have been gained.

EXHIBIT 9.1 Twelve-Step Implementation, 16-Week Timeline



Note: The blocks indicate the elapsed time, not actual time taken.

EXHIBIT 9.2 Six-Week Timeframe for Organizations with Fewer than 200 FTEs (version 1)

Phase	Steps	Project week	pre	1	2	3	4	5	6	post
1	1, 4	Selling the change and agreeing on the appropriate timing								
2	1, 6	Focus group workshop to find the organization's CSFs								
3	2, 3	KPI project team trained and empowered								
4	5, 7, 8	Rolling workshops involving all employees where they start their team scorecards								
5	9	Selecting organizational winning KPIs								
6	10	Developing the reporting frameworks at all levels								
7	11	Facilitating the use of winning KPIs								
8	12	Refining KPIs in 12 months to maintain their relevance								

Note: The blocks indicate the elapsed time, not actual time taken.

- The key performance indicator (KPI) team will have gained much from attending the workshop. After their training and empowerment, they commence a series of rollout team scorecard workshops. At the workshops, the SMT stresses the importance of active participation and the reasons for the project, and introduces the KPI team who are delivering the workshop. The workshop only needs to last one day. It can be run successfully with up to 80 staff.
- The KPI team selects the winning KPIs after they have run the team workshops. It is highly likely that the KPIs will have emerged from that process.

It is possible for an SME to further shorten the process. The CSF workshop can incorporate a team scorecard component, as shown in phase 2 in Exhibit 9.3. This modification requires much more organization before the workshop and representatives of teams attending the CSF workshop.

This process need not cost a huge amount of money. The key issue is commitment of the SMT, the freeing up of two staff members to be full time on the project, and a will to finish what has begun.

Not-for-Profit Organizations

Not-for-profit organizations need to drive focus, accountability, and alignment just as much as private sector organizations do. In not-for-profit organizations, intangible assets increasingly make the difference in performance. Staff knowledge, stakeholder relationships, and cultures of innovation and change need to be managed and enhanced. I believe there needs to be a re-wording of the balanced scorecard perspectives, as set out in Exhibit 9.4.

EXHIBIT 9.3 Six-Week Timeframe for Organizations with Fewer than 200 FTEs (version 2)

Phase	Steps	Project week	pre	1	2	3	4	5	6	post
1	1, 4	Selling the change and agreeing on the appropriate timing	■	■	■		■			
2	1, 6, 7, 8	Workshop to find the organization's CSFs and start team scorecards		■						
3	2, 3	KPI project team trained and empowered	■	■	■	■	■	■	■	
4	7, 8	Teams complete their scorecards and record their measures			■	■	■			
5	9	Selecting organizational winning KPIs					■	■	■	
6	10	Developing the reporting frameworks at all levels			■	■	■	■	■	
7	11	Facilitating the use of winning KPIs						■	■	■
8	12	Refining KPIs in 12 months to maintain their relevance								■

Note: The blocks indicate the elapsed time, not actual time taken.

EXHIBIT 9.4 BSC Perspectives for Not-for-Profit Organizations

Singapore Government Agency	Balanced Scorecard Institute	Surf Life Saving (not-for-profit)
Stakeholder/ customer	Citizens/students/ parents/stakeholders	Satisfaction of districts and clubs
Learning & development	Organizational capacity	Learning & growth of full-time staff
Operational excellence	Internal process	Internal process
Resource management	Financial stewardship	Financial
Need to add **Environment & community**	***Need to add*** **Environment & community**	Environment & community partnerships
Staff satisfaction	**Staff satisfaction**	Staff & member satisfaction

Not-for-profit organizations often tell me that performance measurement "will need to be different in our sector" (e.g., "We do not have any need for daily or weekly KPIs"). I disagree with this view; there are a number of measures that not-for-profit organizations need to monitor on a daily/weekly basis. These include:

Daily Notification to Chief Executive Officer (CEO)

- Complaints from key stakeholders or donors
- Abandon rate at call center—caller gives up
- Complaints not resolved on first call
- Candidates for new positions who have outstanding job offers

- Expressions of interest from candidates that have not been responded to within 24 hours of receipt of interest

Weekly Notification to CEO/Senior Management Team

- Number of attendees registered by division for the in-house training course(s) to be run in the next fortnight
- Late reports by manager
- Late/overdue projects by manager
- Number of employees who have received recognition in past week, two weeks, month
- Number of recognition events and awards to staff planned for next two weeks, four weeks
- Percentage of waste generated/recycled in past week
- Expected launch dates of new services or fundraising campaigns
- Capital expenditure projects running behind schedule (top 20 projects)
- Average mainframe response time
- Percentage of staff who have been absent for more than two weeks, who have a back-to-work program
- Percentage of days where key systems were backed up overnight this week
- Number of post-project reviews still outstanding
- Number of initiatives implemented from stakeholder satisfaction survey
- Number of initiatives implemented from the recent staff opinion survey
- Number of initiatives implemented post–employee satisfaction survey

This list is by no means complete. In other words, much can be measured during the month in not-for-profit organizations.

No doubt some of the 12 steps will need to be handled more carefully (e.g., consultation with employees and unions,

EXHIBIT 9.5 Private Sector versus Not-for-Profit Implementation

Private sector	Not-for-profit sector
The four foundation stones	No change
Seven KPI characteristics	No change
12-step or 8-phase process	Based on the size rather than the sector
16-week timeframe	Government agencies will have additional cultural problems around swift implementations
Find an external project facilitator	Just as valid
CEO involvement	Will need more checks and balances to ensure this is maintained
Start off with a six-perspective balanced scorecard template	The same six perspectives will be required; you may need to include "stakeholder and customer" satisfaction together
Find the critical success factors	No change
Follow the 10/80/10 rule	No change
Select a small KPI team to be full time on the project	No change, albeit there may be a culture of unfinished projects
"Just do it"	As important as ever; there may be a tendency to try to intellectualize the exercise
Use existing systems for the first 12 months	No change
Trap all performance measures in a database and make them available to all teams	No change
KPI reporting formats are an art form, not a science	No change
You may need to rename the scorecard	No change

speed of implementation, whether the key performance indicator project can fit in the appropriate window of opportunity).

Exhibit 9.5 demonstrates that the key processes and steps remain constant whether the implementation is for a private sector or not-for-profit organization.

CHAPTER 10

Implementation Lessons

How to Implement Winning KPIs in 16 Weeks

Kaplan and Norton, in their groundbreaking book, *The Balanced Scorecard: Translating Strategy into Action,* indicated that 16 weeks is sufficient time to establish a working balanced scorecard with key performance indicators (KPIs). However, organizations of all sizes and complexity stumble with this process, and 16 weeks easily turns into 16 months. The key to success is to learn 11 key lessons:

1. Appoint an external project facilitator.
2. Begin with senior management team (SMT) commitment and education.
3. Start off with a six-perspective balanced scorecard template.
4. Focus on the critical success factors (CSFs).
5. Follow the 10/80/10 rule.
6. Select a small KPI team to be full time on the project.
7. "Just do it."
8. Use existing systems for the first 12 months.
9. Trap all performance measures in a database and make them available to all teams.
10. KPI reporting formats are an art form, not a science.
11. You may need to rename the scorecard.

Lesson 1: Appoint an External Project Facilitator

A suitably skilled external project facilitator is the key to success. Without this position being filled, dangers lurk everywhere. Throughout this book, you will see the important role the external project facilitator plays. External project facilitators should be free of any proprietary applications, be well versed in performance measures, have well-rounded consultancy skills, have the credentials so that the SMT will listen and follow advice, and be able to motivate those they come in contact with.

The external project facilitator's role will be full time for the first three weeks and then part time as the project team takes over. It is important that the external project facilitator takes a backseat, as a mentor would, as soon as possible as the project team gains confidence. Toward the end of the project, there may be only a catch-up meeting once every two weeks, with key documentation being reviewed via e-mail in the intervening period.

Benefit of This Action. Helps keep the SMT focused and offers a sound platform from which the in-house team can excel.

Lesson 2: Begin with Senior Management Team: Commitment and Education

The SMT attitude is crucial—any lack of understanding, commitment, and prioritizing of this important process will prevent success. It is common for the project team and the SMT to fit a KPI project around other competing, less important firefighting activities.

The SMT must be committed to the KPI project and to driving it down through the organization. Properly implemented, the KPI project will create a dynamic environment. Before it can do this, the SMT must be sold on the concept. This will lead to the KPI project's being treated as the top priority, which

may mean that the SMT allows some of those distracting fires to burn themselves out.

As a first step, set up a half-day workshop for the entire executive team and for those members of your in-house team who will be required to lead the project to success. The desired outcome of this workshop is an understanding of the issues, the benefits, why the current performance measures in use are never going to create the desired change, and a short list of the organization's success factors. After this workshop, the SMT should be in a position to commit to the KPI project or put it back to simmer.

That commitment will involve the SMT putting aside time each week to perform exercises, including giving feedback on suggested measures, being available to the KPI team for interviews, perhaps visiting organizations that are successfully using KPIs, and approving the balanced scorecard (BSC) investment proposals—all within a tight timeframe so as to keep within that 16-week implementation period.

Consider this quote from a senior consultant:

> *Senior staff view the development of the BSC as an end in itself and go through the motions to keep the boss happy. If the SMT is not strategic in its perspective and consequently does not see the BSC as a tool to help it better understand and manage the organization, this will be reflected in a loss of interest when the process of development gets tough, for example, when deciding on which KPIs to use and the trade-offs to be made. While the role of the SMT is important, the role of the CEO is critical. The CEO must be the central driver carrying the embryo BSC with him all the time, talking about it frequently, and so on.*

Organizations sometimes find that support for the BSC flounders if a new chief executive takes the helm before full

implementation. It is important to sell, sell, sell the benefits to all new SMT members through their emotional drivers or their points of pain.

The BSC will help the organization rethink its strategies. Sometimes it may be better to redirect resources from the next strategic planning exercise into the KPI project.

Benefit of This Action. The SMT will get a buzz from being involved in a dynamic project, which will enhance understanding of their business and improve the implementation of their organization's strategies.

Lesson 3: Start Off with a Six-Perspective Balanced Scorecard Template

Too often, time is spent debating the perspectives, their names, and the design of the scorecard. The SMT loves this time of intellectualizing; however, it does not create much value. It is easy to get carried away with the debate, spending months determining the perspectives while making little progress on defining the CSFs.

Too much time can be spent debating whether there are four, five, or six perspectives and what their names are. Let me save you some trouble. You will need:

- One on the financials performance—call it *financial*
- One on the development of the staff—call it *learning and growth*
- One on customer satisfaction—call it *customer focus*
- One on internal business processes—call it *internal process*
- One on staff satisfaction—call it *staff satisfaction*
- One on relationship with the environment and the community—call it *environment/community*

Using the suggested six perspective names will mean that you are using a better-practice perspective template for the

first 6 to 12 months. After 12 months, the SMT and staff will have enough experience, knowledge, and understanding to fine-tune the perspective names to better suit the organization's needs.

Benefit of This Action. The SMT members will invest the scarce time they have available for this project in more important areas.

Lesson 4: Focus on the Critical Success Factors (CSFs)

The CSFs determine organizational health and vitality and where the organization needs to perform well. Key result indicators (KRIs), result indicators (RIs), performance indicators (PIs), and KPIs are the actual performance measures, which naturally cascade from these CSFs. It is crucial that the SMT focus on providing the project team with CSFs. If this is done well, winning KPIs are much easier to find.

Most organizations know their success factors (SFs). However, few organizations have:

- Worded their SFs appropriately.
- Segregated out SFs from their strategic objectives.
- Sifted through the SFs to find their critical ones—their *critical* success factors.
- Communicated the CSFs to staff.

If your organization has not completed a thorough exercise to know its CSFs, performance measurement will be a random process. It will create an army of measurers producing numerous numbing reports, measurers who often "measure" progress in a direction very remote from the strategic direction of the organization.

CSFs identify the issues that determine an organization's health and vitality. When you first investigate CSFs, you may

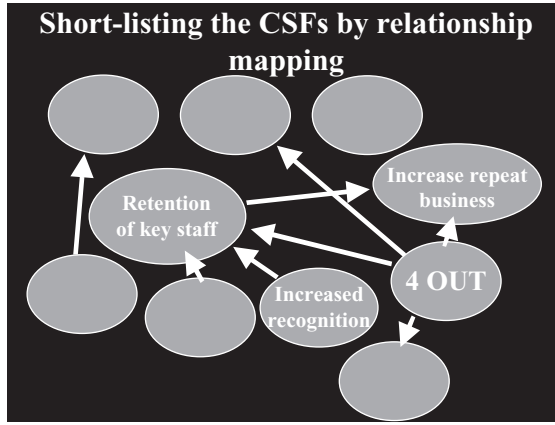


EXHIBIT 10.1 Relationship Mapping to Find the CSFs

come up with 30 or so issues that can be argued are critical for the continued health of the organization. The second phase of thinning them down is relatively easy, as the more important CSFs have a broader influence, impacting many success factors. Better practice suggests that there should be only between five and eight critical success factors.

Once you have the right CSFs, finding the KPIs is much easier, as they will reside within these CSFs factors. This process is performed by mapping the relationships (see Exhibit 10.1) and is explained in detail in Chapter 7. The CSFs that have the most influence—shown in Exhibit 10.1 as the critical success factor with four arrows going out—are the ones to focus on first. All of the organization's KRIs and KPIs will be measuring performance within these critical success factors.

Benefit of This Action. Finding an organization's CSFs is, I believe, the goal of management. It will have a profound impact on staff members, as for the first time they will know what their focus should be on a daily basis. It will also help link daily activities to strategy and improve all forms of performance reporting.

Lesson 5: Follow the 10/80/10 Rule

Many balanced scorecards fail because the wrong measures are used. In such exercises, all their measures are called KPIs. I argue that many organizations are not working with their true KPIs, measures with special characteristics that were discussed in Chapter 1.

Kaplan and Norton recommend no more than 20 KPIs. Hope and Fraser[1] suggest fewer than 10 KPIs. The 10/80/10 rule is a good guide: 10 KRIs, up to 80 RIs and PIs, and 10 KPIs.

The KPI project team and SMT need to concentrate on identifying those 10 KRIs, 80 RIs and PIs, and 10 KPIs that really matter. They must have a good understanding of the characteristics of KRIs, RIs PIs, and KPIs and be able to distinguish between them before they deliver any workshops.

Many organizations call every measure a KPI and end up with over 200, which creates confusion rather than clarity. All leading writers are saying the same thing: "Less is better."

Many people confuse result indicators with KPIs. Sales, net profit, customer satisfaction, and return on capital employed are not KPIs, as they are a result of many events occurring. These examples are *KRIs*, as they are measures that give a clear picture of whether you are traveling in the right direction. If a problem exists, they show it, but they will not tell you what you need to do to correct it.

KRIs provide useful information to the board of directors, which should not be involved in day-to-day management. The KPIs lie several layers beneath the KRIs. The KPIs connect the "workface" to the chief executive officer (CEO). During the day or every morning, CEOs working with KPIs are contacting people directly asking for explanations or giving recognition of their success. Not all teams will have KPIs, as they cannot influence them. These teams will have RIs and PIs. It is important to note that the 10/80/10 is for the whole organization and is repeated if

you have a totally separate business unit (e.g., different business units selling umbrellas and ice cream).

Benefit of This Action. The KPI team will immediately focus on the end product (the 10/80/10) and not try to identify 80 KPIs in 200-odd performance measures.

Lesson 6: Select a Small KPI Team to Be Full Time on the Project

KPIs can be designed successfully by a small team. Kaplan and Norton have seen BSCs designed successfully by an individual who had an in-depth understanding of the business.

Notwithstanding this possibility, a team approach with between two and four full-time staff members is recommended, as set out in Chapter 3. The external project facilitator, if involved right at the beginning, should help the SMT pick a team. Research into personnel records is recommended, as many talented staff members who may have already had some KPI experience are found in obscure places. You need to look for staffers who have excellent presentation skills, knowledge of the organization and its market, a track record of innovation and completion, sound communication skills, and the ability to be cheerful under pressure (a recruiting trick of Sir Edmund Hillary). See Chapters 3 and 4 for recruitment suggestions.

The SMT needs to have the selected staff committed *full time* to the KPI project. By that I mean the family photos are removed from their desk and taken to the project team location. Their second in command will move into their office and undertake their duties, a succession-planning bonus.

Once selected, this team must have a direct reporting line to the CEO (see Exhibit 10.2). Any layer in between means that the SMT and CEO have not understood just what SMT commitment means.

Besides the KPI project team, the organization also needs to identify a liaison person (a coordinator) for each business unit

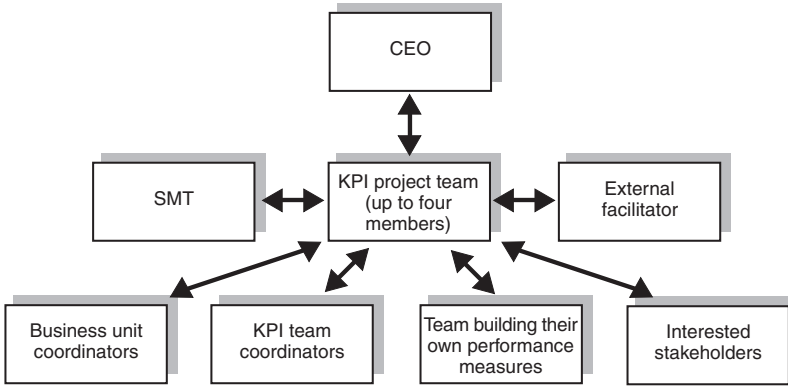


EXHIBIT 10.2 KPI Team Reporting Directly to the CEO

and team. This liaison person needs to be knowledgeable about the operation and be available to provide detailed knowledge and feedback to project team members.

Senior managers should exclude themselves from the project team. Including an SMT member in the team will lead to a string of canceled meetings as the senior manager is caught in the firefighting activities that make up much of their working days. Even SMT members with the best willpower in the world can never be fully focused on just one project.

Benefit of This Action. This action will lead to a carefully picked project team who, along with the coordinators, will have a good chance of success.

Lesson 7: "Just Do It"

The exact structure of the KRIs, RIs, PIs, and KPIs is rarely right the first time. Kaplan and Norton agree with Nike and say "Just do it." The SMT and KPI project team need to ensure that the project culture is a "just do it" culture. It is important to ensure that the project team does not spend too much time

on research. The key references are this KPI book and *The Balanced Scorecard: Translating Strategy into Action*.[2]

A "just do it" culture means that the team will not have to rely on external experts to run the project. CEOs are often wary of large projects that they perceive to be managed by expensive international consulting firms. The past decade is littered with six- or seven-figure consulting assignments that have not delivered on the value expectations. A "just do it" culture brings the belief that the project team can do it. The external project facilitator's role here is to ensure that the project team members remain confident (but not overconfident) and have picked up all the required skills they will need (e.g., delivering persuasive KPI presentations).

Benefit of This Action. The project will be protected against procrastination and have a good chance of implementing the KPIs within a 16-week period.

Lesson 8: Use Existing Systems for the First 12 Months

The project team should promote the use of existing in-house applications for the collection and reporting of the performance measures for at least the first 12 months. Much can be done with standard applications, such as Excel, PowerPoint, SharePoint Team Services, and Access. Often there is no need to purchase specialized software at this stage. Any such purchases can be done more efficiently and effectively 12 months down the track. The appropriate timing for implementing software to aid in the collection and deployment of KPI data will, however, vary from organization to organization. Some organizations may have a resident application that performs this task well or may already know which application they will use for this task and thus can invest in the appropriate systems earlier.

Sophisticated intranet software is of great assistance and is most likely available in-house. These applications will help the

team set up its intranet Web site so that anyone interested in the development of performance measures can obtain access and contribute. Such applications can provide preformatted lists with expiration dates to keep announcements current and a place to collaborate on the development of KPI documentation and reports in real time.

The team will need to update the intranet site frequently themselves. Updating is too important to be left to a systems administrator who is not part of the project.

Benefit of This Action. Focusing on an immediate solution using existing in-house software will avoid compromising the project time scales by delays in prepurchase assessments, purchasing, and implementing a new system.

Lesson 9: Trap All Performance Measures in a Database and Make Them Available to All Teams

During the 16 weeks, a number of performance measures will be found that, while not in the top 10 KPIs, still are highly relevant to business and service teams.

The project team needs to establish a database to record these measures and communicate them through a KPI intranet home page. It is suggested that the database include these fields:

- Description of the performance measure
- Type of performance measure (KRI, RI, PI, KPI)
- Person responsible for the performance measure
- System where data is sourced from or to be gathered
- Which balanced scorecard perspective(s) the performance measure impacts
- Time zone (past, current, future)
- Suggested target

- How often it should be measured (24/7, daily, weekly, monthly)
- Linkage to CSFs and SFs
- Teams that have chosen to measure it (this can act like a selection list), with a column for each team with a yes or no indicating selection

The database should show not only all the current teams' measures but also any discarded measures. The project team can then help the teams, business units, and divisions with consistency and completeness (e.g., one measure devised by one team can and should be used by others, where appropriate).

During the 16 weeks, it is important that the project team purge the database on a regular basis to eliminate duplication and ensure consistency (e.g., the KPI team can suggest to one team, "You might like to look at measure Y as teams A, B, and C are choosing to use it").

Benefit of This Action. This action will create a comprehensive and user-friendly resource for all.

Lesson 10: KPI Reporting Formats Are an Art Form, Not a Science

What is required is a reporting regime that thoroughly addresses those performance measures relevant to the CSFs and the six perspectives.

It is recommended that the SMT leave the design of the reporting formats (24/7, daily, weekly, and monthly reports) to the KPI team, trusting in their judgment. The SMT should tell the KPI project team that they will be happy to live with their formats.

The key is to seek agreement that suggested modifications will be recorded and looked into at the end of the agreed

review period. It will come as no surprise that many suggested modifications will not stand the test of time.

The KPI project team should make good use of the reporting templates provided in Chapter 5 before attempting to develop any of their own.

Benefit of This Action. This action leads to swift adoption of better practice reporting templates.

Lesson 11: You May Need to Rename the Scorecard

Key result indicators, RIs, PIs, and *winning KPIs* should ideally be structured within a balanced scorecard. However, across the world, there have been many failed BSCs principally due to garbage in, garbage out.

The word *scorecard* may have negative connotations to management. If so, what about *navigator, compass,* or other directional terms to help sell the concept and galvanize participation? Changing the name is particularly important where existing management have prior negative experiences with balanced scorecards.

Some organizations offer a prize for the staff person who comes up with the best name.

Benefit of This Action. This action creates a KPI project name that helps galvanize the organization behind it.

Notes

1. Jeremy Hope and Robin Fraser, *Beyond Budgeting: How Managers Can Break Free from the Annual Performance Trap* (Boston: Harvard Business School Press, 2003).
2. Robert S. Kaplan and David P. Norton, *The Balanced Scorecard: Translating Strategy into Action* (Boston: Harvard Business School Press, 1996).

EPILOGUE

Electronic Media Available to You

Dear Reader,

Thank you for reading my book. To support you in implementing winning KPIs, the following electronic media are available (some for a small fee):

- Numerous webcasts on www.bettermanagement.com, a strategic partner of mine. This organization is committed to improving performance management around the world. These webcasts are free to everybody.
- On my Web site (www.davidparmenter.com), I have placed some complementary electronic media, which will be helpful to readers.
- A KPI starter kit is available from www.davidparmenter.com using PayPal as a payment medium.
- The performance measure database is available from www.davidparmenter.com using a PayPal link on the site.

I ask that you spare 45 minutes of your time and listen to my webcast, "An Introduction to Winning KPIs," on www.bettermanagement.com. I hope you will find it a good starting point on your journey.

I wish you all the best on this profound exercise that can, if implemented successfully, leave a legacy that will transcend your time in the organization.

Please keep me informed of your success stories.

David Parmenter
parmenter@waymark.co.nz

APPENDIX

Performance Measures Database

The key performance indicator (KPI) team will have gathered and recorded performance measures from information gained from discussions held with senior management, revisiting company archives, reviewing monthly reports, and external research. In addition, teams will, during brainstorming sessions, come up with performance measures they wish to use.

These identified performance measures need to be recorded, collated, and modified in a database that is available to all staff. This database will have a read-only facility for all employees. Amendment is permitted only by team coordinators (restricted to their area) and the KPI team (unlimited restriction).

Table A.1 is a listing of performance measures to help start this process off. It will be a valuable resource when looking at performance measures during brainstorming sessions. You can acquire this database electronically from www.davidparmenter.com (for a small fee).

It is advisable not to provide attendees with this list of performance measures until they have performed some brainstorming and come up with measures themselves. Introducing this list too early will lead to a narrowing of potential performance measures.

Some of the performance measures in this list will be performance indicators (PIs), result indicators (RI), key performance indicators (KPIs), and key result indicators (KRIs). It is up to the

KPI project team to ascertain in which of the four categories the final set of performance measures should be placed.

The recommended category headings for a performance measures database are set out in Chapters 3 and 4.

Key for Database

CF	Customer Focus
EC	Environment & Community
ES	Employee Satisfaction
F	Finance
IP	Internal Process
LG	Learning & Growth
Past	All measures measuring past activity (Note: Yesterday's activity is considered a current measure.)
Current	Yesterday's or today's activity
Future	Measuring an event that is to occur in the future (date of next meeting with key client, date of next promotion, etc.)

TABLE A.1 Performance Measures

Performance Measure	Frequency of Measurement (24/7, Daily, Weekly, Monthly)	Time Zone (Past, Current, Future)	Balanced Scorecard Perspective(s)
Key customer inquiries that have not been responded to by the sales team (over 24 hours old)	Daily	Current	CF
Complaints from key customers (notified to CEO)	Daily	Current	CF
Forecast stockout of any of the key products (notified to CEO)	Daily	Current	CF
Abandon rate at call center—caller gives up	Daily	Current	CF
Key customer complaints not resolved in two hours	Daily	Current	CF
Complaints not resolved on first call	Daily	Current	CF
Times during day when queue over xx minutes long	Daily	Current	CF
Calls answered first time (not having to be transferred to another party)	Daily and in some cases 24/7	Current	CF
Calls on hold longer than xx seconds	Daily and in some cases 24/7	Current	CF
Number of initiatives completed from the recent key customer satisfaction survey	For three months after the survey	Past	CF

(*Continued*)

TABLE A.1 Performance Measures (*Continued*)

Performance Measure	Frequency of Measurement (24/7, Daily, Weekly, Monthly)	Time Zone (Past, Current, Future)	Balanced Scorecard Perspective(s)
Cost of quality correction—rework, rejects, warrantees, returns and allowances, inspection labor, and equipment, complaint processing costs	Monthly	Past	CF
Number of new customers (rate business unit attracts or wins new customers)	Monthly	Past	CF
Direct communications to key customers in month (average number of contacts made with the key customers)	Monthly	Past	CF
Number of key customer referrals	Monthly	Past	CF
Number of referrals for other customers (excluding key customers)	Monthly	Past	CF
Number of key customer complaints where senior management needed to instigate the remedial action	Monthly	Past	CF
Number of visits made to key customers last month	Monthly	Past	CF
Sales closed as % of total sales proposals	Monthly	Past	CF
Number of variations to contract by key customer	Monthly	Past	CF
Number of refunds given	Monthly	Past	CF
Percent of projects on time	Monthly	Past	CF

Surrender ratio of equipment or service (where service or equipment is on a monthly contract)	Monthly	Past	CF
Service expense per customer category	Half Yearly	Past	CF
% of customers with key attributes (ones that generate most profit)	Quarterly	Past	CF
% of successful/unsuccessful tenders	Quarterly	Past	CF
Average customer size by category (category A being the top 20% of customers)	Quarterly	Past	CF
Brand recall (%) based from market research	Quarterly	Past	CF
Customer loyalty index (% of customer retention within customer categories)	Quarterly	Past	CF
Listing of unprofitable customers and proposed actions to be taken	Quarterly	Past	CF
Market share (proportion of business in a given market)	Quarterly	Past	CF
Number of client relationships producing significant net profit (over $X million)	Quarterly	Past	CF
Initiatives completed from last in-house customer satisfaction survey	Two times a year	Past	CF
Number of proactive visits to top 10% of customers planned for next month	Weekly	Future	CF
Date of next visit to top 10% of customers (by customer name)	Weekly	Future	CF
Average time from customer inquiry to sales team response	Weekly	Past	CF
Weekly sales to top customers by major product lines (no more than 5 product lines shown)	Weekly	Past	CF

(*Continued*)

TABLE A.1 Performance Measures (*Continued*)

Performance Measure	Frequency of Measurement (24/7, Daily, Weekly, Monthly)	Time Zone (Past, Current, Future)	Balanced Scorecard Perspective(s)
Unresolved complaints listed by sales person/sales team (who are going to ensure they are fixed)	Weekly	Past	CF
Average time to resolve complaints, to get credits for product quality problems, etc.	Weekly	Past	CF
Number of stockouts	Weekly	Past	CF, IP
Number of customer service initial inquiries to follow-up	Weekly	Past	CF
Number of defect goods on installation (dead on arrival, including those that occur within the first 90 days of operation)	Weekly	Past	CF, IP
Postproject wrap-ups outstanding (major projects only)	Weekly	Past	CF, IP
Date when remedial work is planned to be completed (major projects only)	Weekly	Past	CF
Number of credits/returns from key customers	Weekly	Past	CF
Order entry error rate	Weekly	Past	CF, IP
Order frequency (number of orders coming in per day/week)	Weekly	Past	CF
Orders canceled by reason (up to 5 categories)	Weekly	Past	CF
Time elapsed since repeat business with category A customers (top 20% or top 10 customers)	Weekly	Past	CF

Unresolved complaints—to other customers	Weekly	Past	CF
Late projects by manager (a list for internal projects and a list for client projects)	Weekly	Past	CF, IP
Number of customers with outstanding retention installments (monitoring close-out)	Weekly	Past	CF
Orders shipped that are complete and on time (delivery in full on time) for other customers	Weekly	Past	CF, IP
Time elapsed between quality assurance failures	Weekly	Past	CF, IP
Service requests outstanding for key customers (faults, works requests)	Weekly	Past	CF
Service requests outstanding for other customers (faults, works requests)	Weekly	Past	CF
Date of last contact with customer with current major projects (list by major projects only)	Weekly/biweekly	Past	CF
Quality problems detected during product audits	When audits performed	Past	CF
Late deliveries to key customers	Daily	Past	CF, IP
Emissions from production into the environment (number)	Daily/weekly	Current/Past	EC
Energy consumed per unit, BTU/sales	Daily/weekly	Current/Past	EC
Entries to environment/community awards to be completed in next three months	Monthly	Future	EC

(*Continued*)

TABLE A.1 Performance Measures (*Continued*)

Performance Measure	Frequency of Measurement (24/7, Daily, Weekly, Monthly)	Time Zone (Past, Current, Future)	Balanced Scorecard Perspective(s)
Number of media coverage events planned for next month, months 2–3, 4–6	Monthly	Future	EC
Volunteers recruited in month	Monthly	Past	EC
Volunteers resigned in month	Monthly	Past	EC
Number of media press releases in the pipeline	Monthly	Past	EC
Number of photos in papers last month, months 2–3, 4–6	Monthly	Past	EC
% of current projects that are environmentally friendly	Monthly	Past	EC
Community/environmental satisfaction from external survey	Periodic survey	Past	EC
Number of students offered holiday work for next holiday period	Quarterly	Future	EC
Number of employees involved in community activities	Quarterly	Past	EC
Dollars donated to the community	Quarterly	Past	EC
% of local residents in total workforce	Quarterly	Past	EC
Number of external charity volunteers trained by company staff	Quarterly	Past	EC
Number of employees involved in up-skilling local community organizations	Quarterly	Past	EC
Number of sponsorship projects in past 12 months by company	Quarterly	Past	EC
Number of students recruited for holiday work	Quarterly	Past	EC

% of recycled material used as raw material input	Weekly	Past	EC
% of waste generated/recycled	Weekly	Past	EC
Waste and scrap produced	Weekly	Past	EC, IP
Water consumption and/or discharge per production unit (or by per employee, or per sales dollar)	Weekly	Past	EC
Number of environmental complaints received in a week	Weekly	Past	EC
Expressions of interest from candidates that have not been responded to within 24 hours of receipt of interest	Daily	Current	ES
Candidates who have outstanding offers	Daily	Current	ES, IP
Empowerment index, number of staff and managers who say they are empowered (from staff survey)	Every employee survey	Past	ES
Recruitment rating (survey on all new employees)	Every employee survey	Past	ES
Satisfaction with a balanced working and nonworking life (from staff survey)	Every employee survey	Past	ES
% of staff working flexible hours	Monthly	Past	ES
Analysis of absenteeism	Monthly	Past	ES
Employee complaint resolution timelines and effectiveness	Monthly	Past	ES
Length of service of staff who have left (by bands less than 1 year, 2–5 years, 6–10 years, etc.)	Monthly	Past	ES
Staff turnover by type (resignations, end of contract, temporary staff, terminations)	Monthly	Past	ES

(*Continued*)

TABLE A.1 Performance Measures (*Continued*)

Performance Measure	Frequency of Measurement (24/7, Daily, Weekly, Monthly)	Time Zone (Past, Current, Future)	Balanced Scorecard Perspective(s)
Number of applicants for employment at the company	Quarterly	Past	ES
By staff member—number of days worked overseas on jobs in past three months (excluding staff relocated); limit to top 20 with the longest number of days away	Quarterly	Past	ES
Number of potential recruits from employee referrals	Quarterly	Past	ES
Attendance numbers for social club functions—by function in past quarter	Quarterly	Past	ES
Number of recognition events and awards to staff planned for next four weeks, next 8 weeks	Weekly	Future	ES
Number of employees who have received recognition in past week, two weeks, month	Weekly	Past	ES
Number of initiatives implemented after employee satisfaction per survey	Weekly for four months after employee survey	Past	ES
% complete to % billed by job	Monthly	Past	F
% of customers paying cash up front on commencement of project	Monthly	Past	F

% of sales that have arisen from cross-selling among business units	Monthly	Past	F
% of successful tenders	Monthly	Past	F
Average number of days spent as stock in hand	Monthly	Past	F, IP
Bad debt % to turnover	Monthly	Past	F
Cash flow ($)	Monthly	Past	F
Cash-to-cash cycle—length of time from cash out to cash in	Monthly	Past	F
Contribution to revenue, or contribution margin (%)	Monthly	Past	F
Days of production in inventory	Monthly	Past	F, IP
Days sales in receivables	Monthly	Past	F
Gross margin by business	Monthly	Past	F
Indirect expenses as a % of sales	Monthly	Past	F
Net income by business	Monthly	Past	F
New business—by occurrence type (e.g., referrals, promotional drive, prospecting, Web site, etc.)	Monthly	Past	F
Number of winning tenders that have created losses	Monthly	Past	F
Profits from new products or business operations ($)	Monthly	Past	F
Profits/employee ($)	Monthly	Past	F
Return on capital employed	Monthly	Past	F
Return on net asset value	Monthly	Past	F
Return on equity	Monthly	Past	F
Revenues/employee ($)	Monthly	Past	F
Revenues/total assets (%)	Monthly	Past	F

(*Continued*)

TABLE A.1 Performance Measures (*Continued*)

Performance Measure	Frequency of Measurement (24/7, Daily, Weekly, Monthly)	Time Zone (Past, Current, Future)	Balanced Scorecard Perspective(s)
Sales by manager	Monthly	Past	F
Credit rating	Monthly	Past	F
Debt-to-equity ratio	Monthly	Past	F
People/headquarters costs	Monthly	Past	F
% unprofitable customers	Monthly	Past	F
Status on the major top 10 capital expenditure projects	Monthly	Past	F
Teams expenditure profile year to date + forecast against year-end target (tracks actual and expected against planned expenditure profile for year)	Monthly	Past	F
Total assets/employee ($)	Monthly	Past	F
Value of work in progress ($)	Monthly	Past	F
% of category A customers covered by partnership projects	Quarterly	Past	F
% of profitability per major project	Quarterly	Past	F
% of top 10 customers' business (by top 10 customers)	Quarterly	Past	F
Customer and product line profitability	Quarterly	Past	F
Days of purchases in accounts payable	Quarterly	Past	F
Dealer profitability	Quarterly	Past	F

Economic value added per employee ($)	Quarterly	Past	F
Marketing expense per customer ($)	Quarterly	Past	F
Number of profitable customers	Quarterly	Past	F
Number of projects with all progress payments paid	Quarterly	Past	F
% revenues from new products or services	Quarterly	Past	F
Sales growth rate by market segment	Quarterly	Past	F
Investment in development of new markets ($)	Quarterly	Past	F
IT expense as a % of total administrative expense	Quarterly	Past	F
Average cost of maintaining a customer account ($)	Quarterly	Past	F
Administrative expense as a % of gross premium	Quarterly	Past	F
Debt over 30/60/90 days	Weekly	Past	F
% chargeable work/nonrecoverable	Weekly	Past	F
Budgeted time against actual time on weekly basis	Weekly	Past	F
Number of initiatives implemented from dealer satisfaction survey	Weekly after survey run	Past	F
Instances where production tasks are not being performed on time for key product lines	Daily	Current	IP
Production schedule delays because of material shortages	Daily	Current	IP
Planned uneconomic runs of top 10 machines	Daily	Future	IP
% of accounts payable invoices processed within the week of receipt	Monthly	Past	IP
Changes to orders after initial placement—controllable and uncontrollable	Monthly	Past	IP

(*Continued*)

TABLE A.1 Performance Measures (*Continued*)

Performance Measure	Frequency of Measurement (24/7, Daily, Weekly, Monthly)	Time Zone (Past, Current, Future)	Balanced Scorecard Perspective(s)
Excess inventory—anything above normal requirements (top 20 stocks and list of stocks where last movement over 12 months ago)	Monthly	Past	IP
Inventory items above/below target limits (top 20 stocks)	Monthly	Past	IP
Number of improvements made to existing products	Monthly	Past	IP
Outage hours per month	Monthly	Past	IP
Patents filed and issued that have been incorporated into products	Monthly	Past	IP
% of products for which the first design of a device fully met the customer's functional specification	Monthly	Past	IP
Number of pricing errors to other customer invoices	Monthly	Past	IP
Production cycle time (time in each stage)—use for top 5 product lines	Monthly	Past	IP
Quality problems due to equipment failure	Monthly	Past	IP
Queue production time ratio	Monthly	Past	IP
Sales-to-selling-costs ratio	Monthly	Past	IP
% of payments (nonpayroll) where right amount was paid and on time	Monthly	Past	IP
% of payroll payments where right amount was paid and on time	Monthly	Past	IP

% of payments made by electronic funds transfer (include direct debits processed by suppliers)	Monthly	Past	IP
% of requests for help fixed by help desk during the first phone call	Monthly	Past	IP
% of sales invoices issued on time (within xx days from dispatch)	Monthly	Past	IP
% of time IT program developers have spent on programming (excludes administrative time, etc.)	Monthly	Past	IP
% spent of this year's technology capital expenditure	Monthly	Past	IP
Accidents per 100,000 hours worked	Monthly	Past	IP
Key system downtime during office hours (8 A.M. to 6 P.M.)	Monthly	Past	IP
Asset utilization rates of major machines	Monthly	Past	IP
Number of users of the human resources system	Monthly	Past	IP
Date of last backup test at remote site	Monthly	Past	IP
Business development expense/administrative expense	Monthly	Past	IP
Completion of projects on time and on budget (% or $ of total projects)	Monthly	Past	IP
Current users of xxx system	Monthly	Past	IP
Faults or service requests closed in month	Monthly	Past	IP
Initiatives under way based on satisfaction survey	Monthly	Past	IP
IT capacity of top 5 systems	Monthly	Past	IP
Key work carried out by contractors	Monthly	Past	IP
Last update of intranet page	Monthly	Past	IP
Number of managers accessing general ledger (time)	Monthly	Past	IP

(*Continued*)

TABLE A.1 Performance Measures (*Continued*)

Performance Measure	Frequency of Measurement (24/7, Daily, Weekly, Monthly)	Time Zone (Past, Current, Future)	Balanced Scorecard Perspective(s)
Manual-transaction-to-automated-electronic-transaction ratio	Monthly	Past	IP
Time taken from month-end to get monthly finance report to CEO	Monthly	Past	IP
Time taken from month-end to get monthly report to budget holders	Monthly	Past	IP
Number of accounts payable invoices paid late	Monthly	Past	IP
Number of customer calls in test week (e.g., third week of month)	Monthly	Past	IP
Number of strategic supply relationships	Monthly	Past	IP
Number of progress payments due that have not yet been invoiced	Monthly	Past	IP
Number of management team meetings last week (or number of management meetings planned for next 5 days)	Monthly	Past	IP
Number of critical assets in a catastrophic state	Monthly	Past	IP
Number of employees	Monthly	Past	IP
Number of times scheduled slipped in month	Monthly	Past	IP
Orders and reports shipped by express services	Monthly	Past	IP
Number of policy and procedures sections updated this month	Monthly	Past	IP
% of operational purchases from certified vendors	Monthly	Past	IP
% of positive feedback from employees after attending meetings (every meeting rated via intranet)	Monthly	Past	IP

Safety measures—accidents, days lost by reason	Monthly	Past	IP
Number of staff who have attended the stress management course	Monthly	Past	IP
Staff with > 30 days leave owing	Monthly	Past	IP
Time spent by team on quality improvement activities	Monthly	Past	IP
Units/labor hour and labor dollar for direct, indirect, and total labor costs	Monthly	Past	IP
Conversion rate of home-buying certificates to mortgage offers	Monthly	Past	IP
Value of retail investment receipts (gross) dollars	Monthly	Past	IP
Funds raised last month	Monthly	Past	IP
Consent return rate for rework and resubmission (numbers and dollars)	Monthly	Past	IP
Claims frequency	Monthly	Past	IP
Claims severity (numbers over $xxxs)	Monthly	Past	IP
Accomplishment of quality improvement implementation milestones	Monthly	Past	IP
Programming changes to off-the-shelf applications by reason	Monthly	Past	IP
Engineering changes after design completion	Monthly	Past	IP
Number of improvements to products in month	Monthly	Past	IP, CF
Inventory system accuracy rates	Monthly	Past	IP
Inventory turnover (number)	Monthly	Past	IP
Process part-per-million defect rates	Monthly	Past	IP
Service factor—percent of orders filled	Monthly	Past	IP
Time lost due to schedule changes or deviations from schedule	Monthly	Past	IP

(*Continued*)

TABLE A.1 Performance Measures (*Continued*)

Performance Measure	Frequency of Measurement (24/7, Daily, Weekly, Monthly)	Time Zone (Past, Current, Future)	Balanced Scorecard Perspective(s)
Unplanned versus planned maintenance	Monthly	Past	IP
Waste caused by maintenance tests	Monthly	Past	IP
Space productivity—sales or production per square foot	Monthly	Past	IP
Number of leads generated by agents	Monthly	Past	IP
Reporting errors (e.g., time charged to closed/wrong jobs)	Monthly	Past	IP
% of brand dominance in market	Quarterly	Past	IP
Average age of company patents (number)	Quarterly	Past	IP
Number of profitable new products (over $XX and greater than X% gross margin)	Quarterly	Past	IP
Product development cycle time of major new projects	Quarterly	Past	IP
Ratio of new products (less than X years old) to full company catalog (%)	Quarterly	Past	IP
R&D expenditure as a % of sales from proprietary products	Quarterly	Past	IP
R&D time to develop next generation of products	Quarterly	Past	IP
Dollars saved by employee suggestions	Quarterly	Past	IP, F
% of hours spent on R&D by research team (excludes admin time etc.)	Quarterly	Past	IP

Employees in self-managing teams	Quarterly	Past	IP
Investment in research ($)	Quarterly	Past	IP
Median patent age in key products	Quarterly	Past	IP
Number of innovations introduced in 1–3, 4–6, 7–9, 10–12 months	Quarterly	Past	IP
Number of systems integrated with other company systems	Quarterly	Past	IP
Number of IT contractors as a % of IT employees	Quarterly	Past	IP
Number of staff trained in first aid	Quarterly	Past	IP
Product changes to correct design deficiencies	Quarterly	Past	IP
Slow-moving and obsolete inventory	Quarterly	Past	IP, F
Number of succession plans for key positions	Quarterly	Past	IP
Number of suppliers on the accounts payable ledger	Quarterly	Past	IP
Cost of obtaining planning consent (by consent received in month)	Quarterly	Past	IP
Measure number of projects that do not need special consents	Quarterly	Past	IP
Timeliness of resource consents processing	Quarterly	Past	IP
Insurance premiums received from new product launches	Quarterly	Past	IP
Design cycle time for new products finished this quarter	Quarterly	Past	IP
Number of processes made foolproof	Quarterly	Past	IP
Reduction of parts count on products	Quarterly	Past	IP
Visits to managers planned next week, next two weeks	Weekly	Future	IP
Number of improvements to be implemented in next 30, 31–60, 61–90 days	Weekly	Future	IP

(*Continued*)

TABLE A.1 Performance Measures (*Continued*)

Performance Measure	Frequency of Measurement (24/7, Daily, Weekly, Monthly)	Time Zone (Past, Current, Future)	Balanced Scorecard Perspective(s)
Expected launch dates of top 5 new products	Weekly	Future	IP
Product launches behind schedule	Weekly	Future	IP
Accuracy and completeness of specifications for key customer orders	Weekly	Past	IP
Manufacturing cycle effectiveness, processing/throughput time for top 10 product lines	Weekly	Past	IP
Manufacturing process quality measures rework (how many items make it through the process without being reworked at any stage) %	Weekly	Past	IP
Availability of top 10 products—days of sales in store	Weekly	Past	IP
Potential revenue in sales pipeline	Weekly	Past	IP, F
Number of pricing errors to key customer invoices	Weekly	Past	IP
Production amount that passes to next stage in production	Weekly	Past	IP
Timeliness and accuracy of price quotations to key customers	Weekly	Past	IP
% completed time sheets by deadline	Weekly	Past	IP
Capital expenditure projects running behind schedule (top 20 projects)	Weekly	Past	IP
Average mainframe response time	Weekly	Past	IP

% of staff absent for more than three weeks who have a back-to-work program	Weekly	Past	IP
% of days where key systems were backed up at night this week	Weekly	Past	IP
Lost-time injury frequency	Weekly	Past	IP
Number of post-project reviews still outstanding	Weekly	Past	IP
Number of overdue reports/documents	Weekly	Past	IP
Resource consent applications that are now late	Weekly	Past	IP
Emergency response time	Weekly	Past	IP
Downtime due to different types of equipment failure	Weekly	Past	IP
Improvement in productivity (%)	Weekly	Past	IP
The production of late runs (sign of poor planning) as a % of average daily production	Weekly	Past	IP
Production setup/changeover time	Weekly	Past	IP
Quality problems attributable to design	Weekly	Past	IP
Technical support costs/unit sold (quality of product and clarity of instructions)	Weekly	Past	IP
Total value of finished products/total production costs	Weekly	Past	IP
Waste—all forms: scrap, rejects, underutilized capacity, idle time, downtime, excess production, etc.	Weekly	Past	IP
Yield—net good product produced	Weekly	Past	IP
Service calls or complaints per unit sold	Weekly	Past	IP
% of bids or proposals accepted	Weekly	Past	IP

(*Continued*)

TABLE A.1 Performance Measures (*Continued*)

Performance Measure	Frequency of Measurement (24/7, Daily, Weekly, Monthly)	Time Zone (Past, Current, Future)	Balanced Scorecard Perspective(s)
Stakeholder feedback (on activities, working style, and communication)	When survey performed	Past	IP
Reskilled employees: % of workforce requiring reskilling	From staff survey	Past	LG
Number of leadership initiatives targeted to rising stars to be completed next month, months 2–3, 4–6	Monthly	Future	LG
Number of training hours booked for next month, months 2–3, 4–6—in both external/internal courses	Monthly	Future	LG
% of "customer-facing" employees having online access to information about customers (effective communication of accurate information to employee)	Monthly	Past	LG
% of employees who have interacted with customers	Monthly	Past	LG
% of managers with satisfactory IT literacy	Monthly	Past	LG
% of staff who joined less than three months ago who have had postemployment interview	Monthly	Past	LG
% of performance reviews completed on time	Monthly	Past	LG
% of staff performance reviews completed	Monthly	Past	LG
Annual rolling average of days training by key team	Monthly	Past	LG

Number of employees terminated for performance, other problems	Monthly	Past	LG
Number of managers who have had performance management training	Monthly	Past	LG
Number of internal promotions in the last quarter	Monthly	Past	LG
Number of teams with a balanced scorecard (BSC)—rollout of a BSC system	Monthly	Past	LG
Number of internal applications for job applications closed in month	Monthly	Past	LG
Number of mentoring meetings held last month for the rising stars	Monthly	Past	LG
Number of mentoring meetings held last month for other staff	Monthly	Past	LG
Number of new staff (less than three months) who attended an induction program	Monthly	Past	LG
Number of staff who have attended an induction within four weeks of starting	Monthly	Past	LG
% of teams having a team meeting once a week	Monthly	Past	LG
Number of post-project reviews undertaken to ascertain lessons learned	Monthly	Past	LG
Staff enrolled/not yet enrolled for in-house training course	Monthly	Past	LG
Number of suggested improvements from employees by team	Monthly	Past	LG, IP
Training days this month	Monthly	Past	LG
Number of staff who are aware of new initiative	Monthly	Past	LG
Number of teams who have undertaken internal user satisfaction surveys in past 6 months	Monthly	Past	LG

(*Continued*)

TABLE A.1 Performance Measures (*Continued*)

Performance Measure	Frequency of Measurement (24/7, Daily, Weekly, Monthly)	Time Zone (Past, Current, Future)	Balanced Scorecard Perspective(s)
Number of in-house training courses planned for next month, months 2–3, 4–6	Quarterly	Future	LG
% of employees below age of X	Quarterly	Past	LG
% of employees with tertiary education	Quarterly	Past	LG
% of rising stars with mentors	Quarterly	Past	LG
% of contractors to total staff	Quarterly	Past	LG
Average employee years of service with company	Quarterly	Past	LG
Training expense/payroll cost	Quarterly	Past	LG
Number of employees certified for skilled job functions or positions	Quarterly	Past	LG
Number of employees complying with their development plan	Quarterly	Past	LG
Number of employees with delegated spending authority	Quarterly	Past	LG
Number of employees attending sponsor courses to increase reading and math skills	Quarterly	Past	LG
Investment in new product support and training ($)	Quarterly	Past	LG
Needs assessment gap—required skills versus actual skills for positions	Quarterly	Past	LG

Number of cumulative work experience (years) in current management team	Quarterly	Past	LG
Number of current users of X system	Quarterly	Past	LG
Staff trained to use X system	Quarterly	Past	LG
Number of staff who have agreed development plans	Quarterly	Past	LG
Number of full-time temporary employees (contractors over three months)	Quarterly	Past	LG
Number of level 1 and 2 managers promoted internally	Quarterly	Past	LG
% of managers who are women	Quarterly	Past	LG
% of cross-trained personnel per team	Quarterly	Past	LG
Staff who have verbal feedback about performance every month	Quarterly	Past	LG
Number of succession plans for key positions	Quarterly	Past	LG
Suggestions made to suggestions implemented ratio	Quarterly	Past	LG
Total hours employees spend in mentoring	Quarterly	Past	LG
Turnover of female staff	Quarterly	Past	LG
Turnover of staff by ethnicity	Quarterly	Past	LG
% of staff meeting continuing professional development requirements	Quarterly	Past	LG
Number of research papers generated	Quarterly	Past	LG
Number of employees that have improved skills during past 6 months	Half yearly	Past	LG
Number of initiatives implemented from the staff survey	Weekly after the employee survey	Past	LG

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